

27 JULY 1990



FOREIGN  
BROADCAST  
INFORMATION  
SERVICE

# ***JPRS Report***

## **Soviet Union**

### ***Economic Affairs***

19991028 138

**DISTRIBUTION STATEMENT A**

Approved for Public Release  
Distribution Unlimited

# Soviet Union Economic Affairs

JPRS-UEA-90-024

## CONTENTS

27 July 1990

### NATIONAL ECONOMY

#### ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Statute on Joint Stock, Limited Liability Companies Published .....	1
Text of Statute <i>[EKONOMIKA I ZHIZN No 27, Jul 90]</i> .....	1
Council of Ministers Decree <i>[EKONOMIKA I ZHIZN No 27, Jul 90]</i> .....	11
Finance Ministry Official Comments <i>[I.P. Kitaygorodskiy; EKONOMIKA I ZHIZN No 27, Jul 90]</i> .....	12
Enterprise Economic Incentive Funds Analyzed <i>[EKONOMIKA I ZHIZN No 25, Jun 90]</i> .....	14
Industrial Managers Surveyed on Problems With Law on Enterprises <i>[N. A. Vasilyeva; EKONOMIKA I ORGANIZATSIIA PROMYSHLENNOGO PROIZVODSTVA (EKO) No 4, Apr 90]</i> .....	15
Reform Committee's Role in Drafting Economic Legislation Described <i>[V. M. Vologzhin; EKONOMIKA I ORGANIZATSIIA PROMYSHLENNOGO PROIZVODSTVA (EKO) No 4, Apr 90]</i> .....	18
Reorganization of Enterprises into 'Concerns' Encouraged <i>[B. Milner; EKONOMIKA I ZHIZN No 14, Apr 90]</i> .....	23
Rights, Responsibilities of Enterprises in Transition Period <i>[A. Komin; EKONOMIKA I ZHIZN No 14, Apr 90]</i> .....	25
Organization of Some Concerns Compared to Ministries <i>[L. Bondar, M. Bokareva; KHOZYAYSTVO I PRAVO No 4, Apr 90]</i> .....	27

#### INVESTMENT, PRICES, BUDGET, FINANCE

Goskomtsen, AUCCTU Chairmen on Market, Prices, Social Safeguards .....	31
Goskomtsen Head <i>[V. Senchagov; EKONOMIKA I ZHIZN No 25, Jun 90]</i> .....	31
AUCCTU Chairman <i>[G.I. Yanayev; EKONOMIKA I ZHIZN No 25, Jun 90]</i> .....	34
Public Attitudes to Retail Price Hikes Studied <i>[V.M. Rutgayer, et al; EKONOMIKA I ORGANIZATSIIA PROMYSHLENNOGO PROIZVODSTVA (EKO) No 4, Apr 90]</i> .....	36
Price Revision No Solution to Economic Problems <i>[Yu. Borozdin; EKONOMIKA I ZHIZN No 14, Apr 90]</i> .....	37

#### INDUSTRIAL DEVELOPMENT, PERFORMANCE

Leasing Poses Problems for Defense Industry Producer <i>[A. Rodionov; EKONOMIKA I ZHIZN No 27, Jul 90]</i> .....	38
U.S. Firm Proposes Investment in Pulp, Paper Industry <i>[W. Adams; RABOCHAYA TRIBUNA, 27 Jun 90]</i> .....	40

#### REGIONAL DEVELOPMENT

Impact of 'Acceleration' on Societal Well-Being in RSFSR Criticized <i>[M. Lemeshev; MOSKVA No 6, Jun 90]</i> .....	41
Financial Basis For Moldavian Self-Management Assessed <i>[V.G. Kutyrkin; EKONOMIKA I ZHIZN No 16, Apr 90]</i> .....	41
Draft Law on Georgian Economic Independence Published .....	43
Text of Law <i>[ZARYA VOSTOKA, 5 Jun 90]</i> .....	43
Resolution on Public Discussion <i>[ZARYA VOSTOKA, 5 Jun 90]</i> .....	50
Baltic Republics Expand Economic Cooperation <i>[N. Ivanova; SOVETSKAYA ESTONIYA, 7 Jun 90]</i> .....	50
Confusion Hinders Implementation of Estonian Banking Law <i>[SOVETSKAYA ESTONIYA, 14 Jun 90]</i> .....	51

Estonian IME Plan Undermined by Budget Deficit [Yu. Khindov; <i>SOVETSKAYA ESTONIYA</i> , 13 Jun 90]	51
Lithuania's Strict Control of Economic Activity Criticized [G. Galakhov; <i>PRAVITELSTVENNYY VESTNIK</i> No 13, Mar 90]	52
Lithuania's Political, Economic Independence Analyzed [M. Panova, et al; <i>EKONOMIKA I ZHIZN</i> No 15, Apr 90]	52

## CONSUMER GOODS, DOMESTIC TRADE

### POLICY, ORGANIZATION

RSFSR Trade Minister on Independent Development [P. Kurenkov; <i>RABOCHAYA TRIBUNA</i> , 10 Jul 90]	56
--	----

### FOOD PROCESSING, DISTRIBUTION

Armenian Trade Minister Interviewed About 'Empty Counters' [R.A. Sukhudyany; <i>KOMMUNIST</i> , 13 Jun 90]	57
---	----

## ENERGY

### FUELS

Oil-Gas Minister on Sector Performance [L. I. Filimonov; <i>NEFTYANOYE KHOZYAYSTVO</i> No 4, Apr 90]	61
---	----

### ELECTRIC POWER GENERATION

Nuclear Power Minister Interviewed on U.S. Accord [V.F. Konovalov; <i>EKONOMIKA I ZHIZN</i> No 29, Jul 90]	67
Chernobyl Operations, Future Examined [M. Odintsev, I. Shatunovskiy; <i>PRAVDA</i> , 23 Apr 90]	69
Electric Power Workers' Environmental Protection Program Outlined [Yu. Semenov; <i>PRAVITELSTVENNYY VESTNIK</i> No 25, Jun 90]	72

## LABOR

Industrial Safety Official Notes Shortcomings in Supervisory Work [V. Malyshov; <i>PRAVITELSTVENNYY VESTNIK</i> No 28, Jul 90]	75
May Industrial Fatalities Reported [ <i>TRUD</i> , 24 Jun 90]	76
Kuzbass Meeting Studies Market Transition Problems [Yu. Kotlyarov; <i>TRUD</i> , 23 Jun 90]	77
AUCCTU Plenum Reviews Election Procedures [ <i>TRUD</i> ; 20 Apr 90]	78
Rapid Pay Hikes, Economic Instability Examined [Yu. Yakutin; <i>EKONOMIKA I ZHIZN</i> No 12, Mar 90]	80
RSFSR Trade Union Congress Resolution Published [ <i>TRUD</i> , 4 Apr 90]	87

## TRANSPORTATION

### CIVIL AVIATION

New 'Skorost' Association Builds Yak-42M Planes [V. Belikov; <i>IZVESTIYA</i> , 8 May 90]	90
Super Long-Range Airline Proposed [E. Baron; <i>VETERAN</i> No 17, 23-29 Apr 90]	90
Flight Crew Association President Interviewed [A. Malinovskiy; <i>RABOCHAYA TRIBUNA</i> , 10 Jun 90]	91
New Sochi Airport Under Construction [Yu. Stepanov; <i>SOVETSKAYA ROSSIYA</i> , 10 Apr 90]	92
Experimental New-Generation Supersonic Engine Examined [G. Svischchev, et al; <i>IZVESTIYA</i> , 26 Mar 90]	93
Kazakh Aviation Enterprise Created [V. Kuropatenko; <i>TRUD</i> , 12 Apr 90]	94
M-17 Aircraft Breaks Three World Records [A. Fedorov; <i>RABOCHAYA TRIBUNA</i> , 7 Apr 90]	94

**RAIL SYSTEMS**

January-April Rail Performance Noted [GUDOK, 5 May 90] .....	95
Railways Engineering Center Created [GUDOK, 8 April 90] .....	95
New Cable Communications Lines Installed [V. Grechanin; GUDOK, 17 Apr 90] .....	95
1989 Passenger Service Performance Evaluated [V.I. Kristeva; GUDOK, 1 Apr 90] .....	96
Rail Minister Interviewed on Housing, Social Programs [L.I. Pingarev; ELEKTRICHESKAYA I TEPLOVOZNAYA TYAGA No 3, Mar 90] .....	98

**MARITIME AND RIVER FLEETS**

Maritime Fleet Officials Interviewed on Scientific Achievements [I. Orlov, et al; VODNYY TRANSPORT, 14 Apr 90] .....	102
Special Boats Planned for Internal Affairs Ministry [Yu.N. Silantyev; VODNYY TRANSPORT, 27 Mar 90] .....	104

## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Statute on Joint Stock, Limited Liability Companies Published

#### Text of Statute

904A0465A Moscow EKONOMIKA I ZHIZN  
in Russian No 27, Jul 90 pp 12-14

[Text of Statute on Joint Stock Companies and Limited  
Liability Companies]

[Text]

#### I. General Provisions

##### Joint Stock Companies and Limited Liability Companies and Their Participants

1. Joint stock companies and limited liability companies (hereafter referred to as companies) are considered organizations created by agreement of juridical persons and citizens by combining their investments for the purpose of accomplishing economic activities. The companies are juridical persons.

Creation of a company is accomplished observing the conditions of economic activities established by the laws of the corresponding union and autonomous republics.

The peculiarities of participation of foreign juridical persons and citizens in joint stock companies and limited liability companies are determined by legislative acts of the USSR and union and autonomous republics.

Each company has a company name (including an abbreviation) which must indicate the type of company, the object of its activities, and information necessary to distinguish a given company from other enterprises and organizations.

The name of the company cannot indicate affiliation with the USSR, union and autonomous republics, or the corresponding ministries and departments and public organizations.

2. Companies may engage in any kind of economic activities except those which are prohibited by legislative acts of the USSR and union and autonomous republics.

Companies perform work and deliveries for state needs on a contractual basis in a manner determined by legislative acts of the USSR and union and autonomous republics.

Companies may on their own behalf conclude contracts, acquire property and personal non-property rights and perform duties, and be plaintiffs and defendants in arbitration, a court of law, and a court of arbitration.

3. A company must consist of at least two participants.

Enterprises, institutions, organizations, state bodies, as well as citizens may be participants in a company, unless

otherwise specified by legislative acts of the USSR and union and autonomous republics.

A company may be a participant in another company.

4. Participants in a company have the right:

- a) to participate in management of company affairs as determined by the founding documents;
- b) to receive part of the profits (dividends) from company activities;
- c) to receive information on company activities, including accounting and reporting data and other documentation as determined by the founding documents.

Participants in the company may also have other rights specified by this statute, legislation of the USSR and union republics, and founding documents, including the preferential right to obtain products (services) produced by the company.

5. Participants in the company are obligated:

- a) to make investments (buy shares of stock) in the manner, amount, and by methods specified by the founding documents;
- b) not to divulge confidential information about company activities.

Participants in the company may also have other obligations if specified by this statute, other legislation of the USSR and union and autonomous republics, and founding documents.

6. Companies have the right to create branches and offices on the territory of the USSR and abroad. Creation of branches on the territory of the USSR is accomplished observing the conditions of economic activities established by legislation of the corresponding union and autonomous republic.

Branches and offices are provided with fixed and working capital using property of the company and operate based on regulations approved by the company. The property of a branch or office is accounted for on their individual balance sheet and on the company's independent balance sheet.

The activities of branches or offices are managed by individuals appointed by the company. The manager of a branch or office acts based on a power of attorney received from the company.

The decision to create branches or offices abroad is made by the companies in accordance with legislation of the USSR and union and autonomous republics.

#### Founding Documents of the Company and the Procedure for Registration of the Company

7. A joint stock company is created and operates based on a charter, and a limited liability company is created

and operates based on a founding agreement and charter, which are the founding documents of the company.

8. The founding documents must include information about the type of company, the object and goals of its activities, the composition of its participants (founders), the company name and location, the amount of the company's ownership capital, the procedure for distribution of profits and reimbursement of losses, the composition and competence of bodies of the company, and their decisionmaking procedure, including a list of issues on which it is necessary to have unanimity or a qualified majority of votes.

The founding documents must also contain the information specified in items 48 and 65 of this statute. The founding documents are invalid if this information is lacking.

The founding documents may include other conditions not contrary to legislation of the USSR and union and autonomous republics.

If the founding documents do not indicate the period of the company's activities, the company is considered created for an indefinite period of time.

9. A company acquires the rights of a juridical person from the moment of its registration. The following documents are submitted for registration:

- a) application on registration of the company;
- b) notarized copies of the founding documents.

If a joint stock company is being created by transformation of a state enterprise, in addition to the documents listed in this item, a copy of the joint decision of the labor collective and the fully empowered state body is also submitted.

State registration is done by the executive committees of rayon, city, and city-rayon soviets of people's deputies for the location of the company.

State registration data are reported to the USSR Ministry of Finance within a 10-day period for keeping of a unified state register.

10. State registration must be conducted no later than 30 days from the time of submission of the application with attachment of the necessary documents.

The decision on rejection of a registration can be made only on the grounds of violating the established procedure for creating companies and also if founding documents do not conform to the requirements of legislation. Rejection of registration on the grounds of inexpediency of creating the company is prohibited.

11. If registration of the company is not done within the prescribed time period or if it is rejected on grounds which the participants consider unfounded, they have the right to appeal to state arbitration or to a court of law with a statement on compulsion to conduct registration.

12. Information about the type of company, the object, goals, and time periods of its activities, the composition of the participants (founders), the company name, the location of the company and its branches, and the amount of ownership capital are entered in the state registration register.

Information contained in the register can be provided to any interested person.

13. The company is obligated to immediately inform the body conducting the registration about changes that have occurred in the founding documents to make the necessary changes in the state registration register.

Changes to founding documents enter into force at the time the changes are made to the state registration register, unless otherwise specified by this statute.

14. A company may open a clearing account and other accounts in banks and also conclude contracts and make other transactions only after it has been registered. Transactions made on behalf of the company before it has been registered are considered concluded with the company only if it subsequently approves them. In the event a transaction is not approved, the individuals making the transaction bears responsibility for it.

#### Company Property, Assets, and Profits

15. The company is owner of:

- property transferred to it by the participants;
- products produced by the company as a result of economic activities;
- revenue received and also other property acquired by it on other grounds permitted by legislation.

16. The investment of a participant in the company may be buildings, structures, equipment, and other physical assets; securities; rights to use land, water, and other natural resources, buildings, structures, and equipment, and also other property rights (including to intellectual property; and monetary assets in Soviet rubles and foreign currency. The value of the property being invested is determined by joint decision of the participants in the company.

An investment valued in Soviet rubles comprises a participant's share in the ownership capital.

17. When a participant transfers property to the company only for use, the amount of the investment and accordingly the participant's share are determined based on the lease payments for use of this property, calculated for the entire period of activities of the company indicated in the founding documents or another period of time established by the participants, unless otherwise specified in the founding documents.

18. The risk of accidental destruction or damage of property transferred to the company for use is borne by

the participant transferring this property, unless otherwise specified by the founding documents.

19. A reserve (insurance) fund is created in the company in an amount established by the founding documents, but not less than 15 percent of the ownership capital. The reserve fund is formed through annual deductions until the amount indicated in the founding documents is reached. The amount of the annual deductions to the reserve fund is specified in the founding documents, but cannot be less than five percent of the net profit.

20. Distribution of net profit, formed in accordance with the established procedure, among the participants is accomplished according to the work results for the year in proportion to their shares in the company's ownership capital (shares of stock) or by another method specified by the founding documents.

21. The company can increase or decrease the amount of the ownership capital. The company's decision to change the amount of the ownership capital enters into force at the time the appropriate data is entered on the state registration register, unless otherwise specified by this statute.

An increase in the ownership capital can be implemented only after all participants have made their investments completely.

A decrease in the ownership capital is not permitted if there are objections by the company's creditors.

22. The company is liable for debts with any of its property.

The company is not liable for the obligations of its participants, and participants are not liable for obligations of the company, except in cases specified by items 30 and 64 of this statute.

#### **Monitoring the Activities of Companies and Termination of Activities of Companies**

23. A check of the financial and economic activities of a company is accomplished by financial bodies, auditing services, and, when necessary, also by other state bodies within the limits of their jurisdiction.

The company is obligated to perform an audit its financial and economic activities at least once a year and a special audit when requested by even one participant in a limited liability company or shareholders who own at least 10 percent of the shares of stock.

Audits and inspections should not disrupt the company's normal operations.

24. A company's activities are terminated:

a) on expiration of the period for which it was created, or on achieving the goal set during its creation;

b) based on the decision of state arbitration or a court of law in the event of insolvency of the company, or in cases of its systematic or flagrant violation of legislation;

c) by decision of a higher body of the company;

d) on other grounds specified by the founding documents.

25. A company's activities are terminated by its reorganization (merging, joining, division, separation, transformation) or liquidation.

Upon reorganization of a company, the necessary changes are made to the founding documents and state registration register; upon liquidation, the appropriate entry is made in the register.

Reorganization of a company entails a transfer of the rights and responsibilities belonging to the company to its legal successor.

26. Liquidation of a company is done by the liquidation commission appointed by it; in cases of termination of a company's activities by decision of state arbitration or a court of law, it is done by the liquidation commission appointed by these bodies.

At the time of appointment of a liquidation commission, authority to manage the company's affairs passes to it. The liquidation commission appraises company property on hand, identifies the company's debtors and creditors and settles with them, takes steps to pay company debts to third parties and also to its participants, compiles the liquidation balance sheet, and submits it to the company's highest body.

27. The existing monetary assets of the company, including earnings from the sale of its property during liquidation, are distributed by the liquidation commission among the participants in the company in the manner and on the terms specified by this statute and the founding documents after payments to the budget, payment of wages to the company's workers, and fulfillment of obligations to holders of bonds issued by the company.

Property transferred by participants for the company's use is returned in kind without remuneration.

28. Liquidation of a company is considered complete and a company's activities terminated at the time a entry to this effect is made in the state registration register.

The liquidation commission bears property liability for damage caused by it to the company, its participants, and also third parties in accordance with civil legislation of the USSR and union republics.

29. Disputes between the companies and Soviet and foreign juridical persons and citizens are considered in accordance with legislation of the USSR and union republics by state arbitration, a court of law, or other bodies.

**II. Joint Stock Company****Shares of Stock, Their Types, and Bonds**

30. A joint stock company is considered one that has ownership capital divided into a specific number of shares of stock of equal nominal value and is liable for obligations only with its property. Shareholders incur losses only within the limits of the value of the stock shares belonging to them. In cases specified by the charter, shareholders who have not fully paid for the stock shares are liable for company obligations only within the limits of the unpaid sum.

The total nominal value of stock shares issued comprises the ownership capital of the joint stock company, which cannot be less than 500,000 rubles.

31. A share of stock is a security confirming the right of a shareholder to participate in management of the company, in its profits, and in distribution of remaining property in the event of liquidation of the company. Shareholders pay for stock shares in rubles, foreign currency, or by providing other property for ownership or use of the joint stock company. The value of a share of stock is expressed in rubles, regardless of the form of investment.

The minimum nominal value of stock shares cannot be less than 100 rubles. Shareholders may be issued a certificate for the total nominal value of the stock shares.

32. A share of stock is indivisible. When the same share of stock is owned by several persons, they all are considered as one shareholder with respect to the joint stock company and can exercise their rights through one of them or through a common proxy.

33. A share of stock must contain the following requisites: the company name of the joint stock company and its location; the name of the security—"share of stock," its serial number, date of issuance, type of stock (common or preferred), its nominal value, and the name of the holder (for registered stock); the amount of the ownership capital of the joint stock company as of the date of issuance of the stock, as well as the number shares issued; the dividend payment periods; and the signature of the chairman of the board of the joint stock company.

34. A joint stock company may issue registered stock and bearer stock.

Stock may be issued only after full payment of their value.

Citizens may be owners of only registered stock.

Movement of stock is recorded in a stock registration book which is kept by the joint stock company. Data must be entered into it on each registered share of stock, the time of acquisition of the stock, and also the number of these shares held by each shareholder.

For bearer stock, only the total number of their shares are recorded in the stock registration book.

Lost bearer stock is recovered in the procedure established by civil judicial legislation of the union republic for restoration of the right to lost bearer documents.

The sale, transfer, and alienation of stock by other means does not require the consent of the joint stock company unless otherwise specified by the charter.

A joint stock company may establish limits on the number (percentage) of shares of stock held by one party.

35. Besides common stock, the charter of a joint stock company may provide for issuance of preferred stock, which gives the shareholder a preferential right to receive dividends. Owners of preferred stock do not have a right to vote in the joint stock company unless otherwise specified by its charter.

The procedure for exercising the rights of preferred stock holders, including priority distribution of property of the joint stock company in the event of its liquidation, is determined by the charter.

Preferred stock may be issued with annual dividends set as a percentage of their nominal value. Dividends on these shares is paid in the amount indicated in them regardless of the profits earned by the joint stock company in the corresponding year. In the event of insufficient profits, dividends on the preferred stock are paid from the reserve fund. When the amount of the dividends paid to shareholders for common stock exceeds the amount of payment due on preferred stock, an additional payment may be made to the holders of these shares of stock up to the amount of the dividends paid to other shareholders.

Preferred stock cannot be issued in an amount exceeding 10 percent of the ownership capital of the joint stock company.

36. A joint stock company has the right to issue bonds with distribution among juridical persons and citizens to attract additional funds.

A bond is a security confirming the obligation of the joint stock company issuing it to pay its owner its nominal value within a specified period with payment of fixed interest. Interest on bonds is paid annually.

Bonds may be registered or coupon bonds. The specific ownership of a registered bond and also its transfer or alienation by other means are registered in a book kept by the joint stock company. The sale, transfer, and alienation of bonds by other means does not require the consent of the joint stock company.

The decision on issuance of bonds is made by the executive body of the joint stock company.

A joint stock company has the right to issue bonds amounting to no more than 25 percent of the amount of the ownership capital and only after full payment of all issued stock.

Bonds may be sold by a joint stock company and bondholders directly or through a bank.

In the event of failure to pay or untimely payment of the amount indicated in the bond and the interest, a mandatory penalty is imposed on the basis of a notarized inscription, done in the procedure established by legislation of the union republic.

37. Other questions of the issuance, movement, and accounting of stock and bonds are determined by the Statute on Securities and other standard acts.

#### Creating a Joint Stock Company

38. Creation of a joint stock company involves a statement by the founders on the intention to create a joint stock company, offer shares for subscription, hold a founding conference, and conduct state registration of a joint stock company.

Soviet juridical persons and citizens may be founders of a joint stock company.

The founders conclude a contract among themselves which determines the procedure for accomplishing their joint activities for creating a joint stock company and the liability to persons subscribing to shares and to third parties.

The founders bear joint liability for obligations arising before registration of the company.

39. Stock is acquired by shareholders during creation of a joint stock company based on a contract concluded with its founders. If there is an additional issuance of stock in connection with an increase in the ownership capital, unless otherwise specified by the charter of the company, the shares of stock may also be sold at contract prices and be inherited by way of legal succession of juridical persons or on other grounds. Stock may be sold by the shareholders directly or through a bank.

40. When creating a joint stock company, shares of stock may be distributed by means of an open offering of shares for subscription or by distribution of all shares among the founders.

41. An open offering of shares for subscription when creating a joint stock company is organized by the founders. Shares may be sold by the founders directly or through a bank. In doing so, the founders must be shareholders of at least 25 percent of the ownership capital for two years.

The founders publish a notification about the upcoming open subscription, in which they must indicate the company name of the future joint stock company, the object, goals, and period of its activities, the composition of the founders, the date the founding conference is to be held, the proposed amount of the ownership capital, the nominal value of the stock shares, their number and type, the benefits and privileges of the founders, the start and end dates of the offering of shares for subscription,

the composition of property which is offered by the founders as investment in kind, and the name of the bank and account number to which initial should be made. By decision of the founders, this notification may also include other information. The stock subscription period may not exceed 6 months.

42. Persons participating in the stock subscription must an advance deposit in the founders' account in the amount of at least 10 percent of the nominal value of the stock shares to which they are subscribing, after which the founders issue them a written obligation to sell the appropriate number of shares.

On expiration of the time period indicated in the notification, the subscription is terminated. If 60 percent of the shares have not been covered by subscription, the founding of a joint stock company is considered to have failed, and money or other property deposited will be returned within 30 days to the persons subscribing to the stock.

Persons subscribing to stock must deposit at least 30 percent of the nominal value of the stock, counting the advance deposit, prior to the day the founding conference is convened. The founders issue them temporary certificates to confirm the deposit.

43. When all shares of stock are distributed among the founders of a joint stock company, they must deposit at least 50 percent of the nominal value of the stock prior to the day the founding conference is convened.

44. A joint stock company may redeem from a shareholder the shares of stock belonging to him for subsequent resale, distribution among its workers, or for cancellation. Sale of these shares of stock must be accomplished within 1 year. During this period, distribution of profits and also voting and determination of a quorum at the general stockholders' meeting is done without counting the shares its own stock acquired by the joint stock company.

45. A shareholder must redeem shares of stock in full within the time period established by the founding conference, but no later than one year after registration of the joint stock company. Otherwise, unless differently specified in the company charter, he pays 10 percent annual interest on the overdue sum for the time he is overdue.

On expiration of the period of redemption of stock, the joint stock company has the right to sell the stock independently, unrelated to the subscription.

46. A state enterprise, by joint decision of the labor collective and the authorized state body, may be transformed into a joint stock company by issuance of stock for the entire value of the property of the enterprise, which is determined by a commission consisting of representatives of the body making the decision on

transforming the state enterprise into a joint stock company, financial bodies, and the labor collective of the enterprise.

By joint decision of the labor collective of a state enterprise and the authorized state body, stock shares are distributed either by open subscription or among the organizations and citizens involved in this decision.

The funds received from the sale of stock, after covering the debts of the state enterprise, go into the appropriate budget.

The holder of the remaining unsold portion of the stock is the state body authorized to do so. A representative of this body participates in the work of the general stockholders' meeting, taking into account the number of shares of stock it holds.

A joint stock company created by transforming a state enterprise is its legal successor.

47. The founding conference of a joint stock company is convened after conclusion of the stock subscription at the time indicated in the notification, which cannot be more than 2 months after conclusion of the subscription. If this time date passes, a person subscribing to stock has the right to demand the return of the portion of the value of the stock he paid.

The method of participation in the founding conference (full-time, through proxies, by correspondence) by persons subscribing to stock is determined in the conference notification.

The founding conference resolves the following issues:

- a) makes the decision on creating a joint stock company and approves its charter;
- b) accepts or rejects the offering of stock for subscription exceeding the amount of stock which was announced for subscription (in such a subscription is accepted, the proposed ownership capital is increased accordingly);
- c) decreases the amount of ownership capital when the entire sum indicated in the notification is not covered by the offering of stock for subscription within the established time period;
- d) elects the joint stock company council (observation council) and the executive and monitoring bodies of the joint stock company;
- e) approves transactions made by the founders prior to creation of the joint stock company;
- f) determines the privileges granted to the founders;
- g) approves the assessment of in kind investments made.

The founding conference is considered competent if persons subscribing to more than 60 percent of the stock offered for subscription participate in it.

If a founding conference is not held due to the lack of a quorum, a repeat founding conference is convened, which is considered competent if persons subscribing to at least 40 percent of the stock offered for subscription participate in it. If there is still no quorum at the second convocation of the founding conference, the joint stock company is considered to have failed.

Voting at the founding conference is conducted according to the principle of one vote for one share of stock.

Decisions on creating a joint stock company, on electing the joint stock council (observation council) and executive and monitoring bodies of the joint stock company, and on granting privileges to the founders at the expense of the joint stock company must be adopted by a three-fourths majority of the votes of persons participating in the conference who have subscribed to stock; other issues are adopted by a simple majority vote.

48. The charter of the joint stock company, besides the information specified in item eight of this statute, must contain information on the categories of stock issued, their nominal value, the ratio of stock of the different categories, the number of shares acquired by the founders, and on the consequences of nonfulfillment of obligations to redeem stock.

#### Management Bodies of a Joint Stock Company

49. The general stockholders' meeting is the highest body of a joint stock company.

The following apply to the exclusive competence of the general meeting:

- a) determining the basic directions of the company's activities and approving its plans and reports on their fulfillment;
- b) changing the company charter;
- c) electing and recalling members of the joint stock company council (observation council);
- d) electing and recalling members of the executive body and auditing commission;
- e) approving the annual results of the activities of the joint stock company, including its branches, approving reports and findings of the auditing commission and the procedure for distributing profits, and determining the procedure for covering losses;
- f) creating, reorganizing, or liquidating branches and offices and approving statutes (charters) on them;
- g) passing decisions on holding company officials liable for property;
- h) approving procedural rules and other internal company documents and determining the company's organizational structure;

- i) deciding the question of the joint stock company's acquisition of stock issued by it;
- j) determining salary terms of officials of the joint stock company and its branches and offices;
- k) approving contracts concluded in an amount higher than indicated in the company charter;
- l) making a decision on terminating the company's activities, appointing a liquidation commission, and approving the liquidation balance sheet.

Other issues may also be applied to the exclusive competence of the general meeting.

The general meeting is considered competent if shareholders having more than 60 percent of the votes in accordance with the company charter participate in it.

50. For a decision by the general stockholders' meeting, the following require a three-fourths majority of the votes of participating stockholders:

- a) changing the company charter;
- b) making a decision on terminating the company's activities;
- c) creating and terminating the activities of branches.

Decisions on all other issues are made by a simple majority of the votes of stockholders participating in the meeting.

51. Owners of registered stock are notified in person about the general meeting. In addition, a general notification of an upcoming meeting must be made in the method specified by the charter, indicating the time and place the meeting is to be held and the agenda. Notification must be made at least 45 days prior to convening the general meeting.

Any stockholder has the right to submit his proposals for the agenda of the general meeting no later than 40 days prior to convening the general meeting. Stockholders possessing a total of more than 10 percent of the votes may demand inclusion of issues on the agenda with the same time period.

The general meeting does not have the right to make decisions on issues not included on the agenda.

52. Voting at the general meeting of the joint stock company is conducted according to the principle of one vote for one share of stock.

Stockholders may instruct other stockholders (their proxies) and also third parties to exercise their rights by proxy.

Proxies may be permanent or appointed for a specific period of time. A stockholder has the right at any time to replace his proxy in the highest body, notifying the executive body of the joint stock company.

53. A general stockholders' meeting is convened at least once a year unless otherwise specified by the company charter.

Special meetings are convened by the executive body if there are circumstances indicated in the company charter and also in any other case if the interests of the joint stock company as a whole require this.

A meeting must also be convened by the executive body at the request of the observation council or auditing commission.

Stockholders possessing a total of more than 20 percent of the votes have a right to demand a special meeting be called at any time and for any reason. If the board has not fulfilled this demand within 20 days, they have the right to convene a meeting themselves.

54. A joint stock company council (observation council) is created in the joint stock company to monitor the activities of its executive body. The composition of the observation council may include representatives of the labor council, trade union organizations, and other public organizations.

The joint stock company council (observation council) may be tasked by the charter of the joint stock company or by decision of the general stockholders' meeting to perform other functions within the competence of the general meeting.

Members of the joint stock company council (observation council) cannot be members of the executive body.

55. The board or other body specified by the charter is the executive body of the joint stock company that directs the day-to-day activities of the company. The chairman of the board, appointed or elected in accordance with the charter of the joint stock company, supervises the work of the board.

The board resolves all issues of the joint stock company's activities, other than those which fall under the exclusive competence of the joint stock company council (observation council). The general meeting may decide on the transfer to the board part of the rights that fall under its competence.

The board is accountable to the general stockholders' meeting and the observation council and organizes execution of their decisions.

The board acts on behalf of the joint stock company within the limits specified by this statute and by the charter of the joint stock company.

56. The chairman of the joint stock company board has the right to act on behalf of the company without power of attorney. Other board members are also given this right according to the charter.

The chairman of the company board organizes keeping of a book of proceedings. The book of proceedings must

be presented to the participants at any time. Certified excerpts from the book of proceedings are issued at their request.

57. The auditing commission, elected from among stockholders and representatives of the company's labor collective, monitor the financial and economic activities of the joint stock company's board. The size of the auditing commission is determined by the charter. The procedures of the auditing commission are approved by the general stockholders' meeting.

The auditing commission conducts examinations of the board's financial and economic activities at the direction of the general meeting, the joint stock company council (observation council) on its own initiative, or at the request of stockholders possessing a total of more than 10 percent of the votes. The joint stock company auditing commission must be provided all materials, bookkeeping or other documents, and personal explanations of officials at its request.

The auditing commission reports the results of the examinations to the general stockholders' meeting or to the joint stock company council (observation council). Members of the auditing commission have the right to participate with a consultative voice in the board meetings.

The auditing commission compiles a conclusion based on annual reports and balance sheets. The general stockholders' meeting does not have the right to approve the balance sheet without the conclusion of the auditing commission.

The auditing commission is obligated to demand a special convocation of a general stockholders' meeting in the event of a threat to fundamental interests of the joint stock company or discovery of instances of wrongdoing by officials.

#### Changing the Ownership Capital of a Joint Stock Company

58. A joint stock company has the right to increase the ownership capital if all previously issued stock has been paid in full at a value not below the nominal value, other than in those cases when the ownership capital is increased by the transfer of property in kind.

The ownership capital is increased by issuing new stock, exchanging bonds for stock, or increasing the nominal value of stock.

Offering of additionally issued stock for subscription is accomplished in the procedure specified in items 39-43 and 45 of this statute. Stockholders have priority in acquiring additionally issued stock.

59. The notification of an upcoming convocation of a general stockholders' meeting to decide the question of increasing the ownership capital must contain:

- a) the reasons for, the method, and minimum amount of increasing the ownership capital;
- b) the draft of the change to the joint stock company charter associated with increasing the ownership capital;
- c) data on the amount of additional stock and its total value;
- d) information on the new nominal value of the stock;
- e) the rights of stockholders with respect to the additionally issued stock;
- f) the start and completion dates of offering the additionally issued stock for subscription.

60. The ownership capital may be increased by no more than one-third by decision of the board, unless otherwise specified in the charter. Changes in the charter resulting from increasing the ownership capital are subject to registration by the body that registered the joint stock company charter.

The procedures for increasing the ownership capital other than indicated in items 58-60 of this statute may be specified by charters of insurance institutions which are joint stock companies.

61. A decision to decrease the ownership capital of a joint stock company is made in the same manner as the decision to increase ownership capital.

A decrease in ownership capital is accomplished in the form of a decrease in the nominal value of stock or a reduction in the amount of stock by redemption of part of the stock from shareholders for the purpose of canceling the stock.

After one year has elapsed from the date of notifying all stockholders by the method specified by the charter of the joint stock company's decision to decrease the amount of ownership capital, stock not presented for cancellation is considered null and void.

62. A joint stock company is prohibited from issuing stock to cover losses associated with its economic activities.

63. An open joint stock company whose stock is distributed by open subscription is obligated to publish no later than the first quarter of each year a report on its activities in the manner determined by the charter and in the form prescribed by the USSR Ministry of Finance. An examination of the activities of the joint stock company must be conducted by the auditing commission before publication of the report. An act or other document compiled based on the results of the examination is an integral part of the report on the joint stock company's activities.

The joint stock company and also its officials are responsible for the reliability of the information contained in the publication, as established by legislation of the USSR and the union republics.

### III. Limited Liability Company

#### Ownership Capital of a Limited Liability Company and Changing the Capital

64. A limited liability company is considered a company having ownership capital divided into shares, the size of which is determined by the founding documents, and having liability for obligations only within the limits of its property.

Participants in the company are liable within the limits of their investments.

In cases specified by the founding documents, participants not fully contributing their investments are liable for the company's obligations with the portion of the investment not contributed.

65. The founding documents of a limited liability company, besides information specified in item eight of this statute, must contain information on the size of each participant's share and the amount, composition, times, and procedure for making their investments.

Changes in the value of property contributed as an investment and additional contributions of participants do not affect their share in the ownership capital indicated in the founding documents of the company, unless otherwise specified by the founding documents.

66. Ownership capital is created in a limited liability company, the amount of which must be at least 50,000 rubles.

By the time of registration of the company, each participant must contribute at least 30 percent of the investment indicated in the founding documents, which is confirmed by documents issued by the banking institution.

A participant is obligated to contribute his full investment no later 1 year after registration of the company. If this obligation is not met within the prescribed time period, the participant, unless otherwise specified by the founding documents, pays 10 percent annual interest on the amount not contributed for the time it is overdue.

A participant who has contributed his investment fully is issued a certificate, which is not considered a security.

67. A participant in a limited liability company may, with consent of the remaining participants, surrender his share (part of his share) to one or several participants in the same company or to third parties, unless otherwise specified by the founding documents.

Participants in the company are given preference in acquiring a share (part of a share) being surrendered by a participant in proportion to their shares in the ownership capital of the company or in different amount agreed upon among them.

Transfer of a share (part of a share) to third parties is possible only after full contribution of the investment by the participant surrendering the share.

Upon transfer of a share (part of a share) to a third party, there is a simultaneous transfer of all rights and responsibilities belonging to the participant surrendering the share in full or in part.

The company itself may acquire the share of a participant after he has contributed his investment in full. In this case, the company is obligated to transfer it to the other participants or to third parties within 1 year. During this period, distribution of profit and also voting and determination of a quorum in the highest body are done without counting the share acquired by the company.

68. Participants in the company are obligated:

- a) to make additional contributions in the amount, manner, and method specified by the founding documents;
- b) to observe the provisions of the founding documents;
- c) to carry out prescribed manner obligations assumed with respect to the company;
- d) to assist the company in accomplishing its activities.

69. When a participant leaves the company, the value of part of the property in proportion to his share in the ownership capital is paid to him. Payment is made after approval of the report for the year in which he left the company and up to 12 months from the date of his departure. At the request of a participant and with the company's consent, an investment in kind may be returned in full or partially. A participant who has left the company is paid the portion of the profits due him that are received by the company in a given year up to the time of his departure. Property transferred to the company by a participant just for use is returned in kind without compensation.

70. Upon reorganization of a juridical person who is a participant in a limited liability company or on the death of a citizen who is a participant in the company, legal successors (heirs) may join the company with the company's consent.

In the event of a legal successor's (heir's) refusal to join the company or the company's refusal to admit a legal successor (heir), the portion of the property belonging to the reorganized or liquidated juridical person (inheritor), the value of which is determined as of the date of reorganization or liquidation (death) of the participant, is paid to the heir in money or in kind. In these cases, the size of the ownership capital of the company is subject to decrease.

71. In cases determined by the founding documents of the company, by decision of the company's highest body, deposit of additional contributions by the participants may be stipulated.

72. A company's decision to decrease its ownership capital enters into force no earlier than three months after the corresponding entry is made in the register and announcement about this is made in the prescribed manner.

73. Taking recourse on a participant's share in a limited liability company for his own obligations is not permitted. If participant has insufficient property to cover his debts, creditors have the right to demand allocation of the debtor-participant's share in the manner specified by item 70 of this statute.

#### Management Bodies of a Limited Liability Company

74. The highest management body of a limited liability company is its meeting of participants and consists of the participants or their appointed proxies. The meeting of the participants in the company includes one, and if stipulated by the founding documents, a larger number of representatives of the company's workers.

Proxies of participants may be permanent or appointed for a specified period of time. A participant has the right at any time to take the place of his proxy at the meeting of participants, notifying the other participants about this.

A participant in the company has the right to transfer his powers at the meeting of participants to another participant or to the proxy of another participant in the company.

Participants possess a number of votes in proportion to the size of their share in the ownership capital.

When a decision of the meeting of participants may directly affect the interests of only one or several of the participants, in particular when considering the expulsion of a participant from the company, these participants or their proxies do not participate in the voting.

The meeting of participants in the company elects its chairman.

The founding documents may stipulate the alternation of the chairmanship of the participants (proxies) in alphabetical or other order.

75. Besides issues listed in subparagraphs "a", "b", "d", "h", "j", and "l" of item 49 of this statute, the following fall under the exclusive competence of the meeting of participants in the company:

a) establishing the amount, form, and procedure for participants to make additional contributions;

b) deciding on acquisition of a participant's share by the company;

c) expelling a participant from the company.

Unanimity of all participants in the company is required on decisions on issues indicated in subparagraphs "a" and "b" of item 49 of this statute and also when expelling a participant from the company.

Decisions on all other issues are made by a simple majority vote.

76. The meeting of participants in the company, as a rule, decides issues at their sessions. In cases stipulated by the founding documents or by procedural rules approved by the company, decisions may be made by polling. In this case, the draft decision or issues for voting are sent to the participants, who must report their opinion on them in writing. The chairman must inform all participants of the decision made within 10 days of receipt of the report from the last participant in the voting. A decision by polling is considered adopted if there are no objections from the participants.

The meeting of participants in the company is considered competent if participants (proxies) possessing a total of more than 60 percent of the votes are in attendance, or all participants for issues requiring unanimity.

Any participant has the right to demand consideration of an issue at the meeting of the participants, provided it was raised at least 25 days prior to the start of the meeting.

The chairman of the meeting of participants in the company organizes keeping of the proceedings. The book of proceedings must be provided to the participants at any time. At their request, certified excerpts from the book of proceedings are issued.

77. A meeting of the participants in a limited liability company is convened at least twice a year, unless otherwise specified by the founding documents.

Special meetings of participants are convened by the chairman if there are circumstances indicated in the founding documents and also at any other time if the interests of the company as a whole require it. A meeting of participants must also be convened at the request of the executive body or auditing commission.

Participants in the company possessing a total of more than 20 percent of the vote have the right to demand the convening of a special meeting of participants at any time and for any reason. If the chairman has not met this demand within 20 days, they have the right to convene a meeting of participants themselves.

A meeting of participants does not have the right to make a decision on issues not included on the agenda. The agenda is sent out at least 20 days before the start of the meeting.

78. An executive body is created in a limited liability company: a collegial (board of directors) or individual

(director) body, which accomplishes day-to-day management of the company's activities. The board of directors is headed by a general director.

The board of directors (director) decides all questions of the company's activities, other than those which fall under the exclusive competence of the meeting of participants. The meeting of participants may pass a decision on transfer of part of the rights belonging to it to the competence of the board of directors (director).

The board of directors (director) is accountable to the meeting of participants and organizes fulfillment of its decisions. The board of directors (director) does not have the right to make decisions that are binding for the participants in the company.

The general director (director) has the right to act on behalf of the company without power of attorney. Other members of the board of directors may also be given this right in accordance with the founding documents.

The general director (director) may not be simultaneously the chairman of the meeting of participants in the company.

79. Monitoring of the activities of the board of directors (director) of the company is accomplished by the auditing commission, which is created by the meeting of participants in the company from among the participants and representatives of the company's labor collective in a number stipulated by the founding documents. The members of the board of directors may not simultaneously be members of the auditing commission.

The auditing commission examines the activities of the company's board of directors (director) at the direction of the board of the company, on its own initiative, or at the request of participants in the company. The auditing commission has the right to demand that company officials provide it all the necessary materials, book-keeping or other documents, and personal explanations. Members of the auditing commission have the right to participate with a consultative voice in the meeting of the company's executive body.

The auditing commission sends the results of its examinations conducted to the board of the company.

The auditing commission compiles a conclusion based on annual reports and balance sheets. The balance sheet of the company is not subject to approval by the meeting of participants in the company without the conclusion of the auditing commission.

The auditing commission is obligated to demand a special convocation of a meeting of participants in the event of a threat to the fundamental interests of the company or discovery of instances of wrongdoing by company officials.

80. Participants in a limited liability company have the right to appeal to state arbitration or to a court of law to consider null and void a decision made by the meeting of

participants in the company in violation of the law or founding documents, provided that this decision was made in the absence of the participant (his proxy), or that he or his proxy were deliberately deceived with respect to the substance of the decision or remained in the minority when the decision was passed.

81. A participant in the company who systematically does not fulfill or improperly carries out his duties or by his actions hinders achievement of the company's goals may be expelled from the company based on a unanimous decision of the meeting of participants in the company. The participant (his proxy) does not participate in this voting.

Upon expulsion from the company, consequences stipulated in item 70 of this statute ensue.

#### Council of Ministers Decree

904A0465B Moscow EKONOMIKA I ZHIZN in  
Russian No 27, Jul 90 p 14

[Text of USSR Council of Ministers Decree of 19 June 1990 on Approval of the Statute on Joint Stock Companies and Limited Liability Companies and the Statute on Securities]

[Text] The USSR Council of Ministers decrees:

1. To approve the attached Statute on Joint Stock Companies and Limited Liability Companies and the Statute on Securities.\* (\*The Statute on Securities will be published in its entirety in EKONOMIKA I ZHIZN.)
2. Explanations of the procedure for applying the Statute on Joint Stock Companies and Limited Liability Companies are given by the USSR Ministry of Justice and the USSR Ministry of Finance; explanation of the Statute on Securities are given by the USSR Ministry of Finance and the USSR Gosbank.

Particular features of applying the Statute on Joint Stock Companies and Limited Liability Companies to joint stock companies and limited liability companies engaged in banking activities are established by the USSR Gosbank and the USSR Ministry of Finance.

3. The activities of joint stock companies and limited liability companies not regulated by these statutes are accomplished in accordance with items 3, 5, and 7 of Article 18, items 4 and 5 of Article 19, and by Article 20 of the Fundamental Legislation of the USSR and Union Republics on Leasing.
4. Joint stock companies created by transformation of state enterprises make payments in 1990 to the state budget and make deductions to the higher organization in the manner and amount established for this year.

In order to raise the interests of labor collectives of state enterprises in transforming the enterprises into joint stock companies, to establish that dividends intended for payment for shares of stock belonging to the state remain at the disposal of the joint stock company and be used to

accumulate property. This procedure applies until the total amount of these dividends reaches the amounts of budget revenues from redemption from the state of stock of the corresponding joint stock company by juridical persons and citizens.

5. To establish that until the formation of a state body empowered to manage the all-union property, transformation of state enterprises which are all-union property into joint stock companies is accomplished by joint decision of their labor collectives and agencies acting as the leasors in accordance with USSR Council of Ministers Decree No 280 dated 20 March 1990.

Transformation of state enterprises, whose property is not all-union property, into joint stock companies is accomplished in accordance with legislation of the union and autonomous republics.

To recommend to the councils of ministers of the union and autonomous republic until passage of such legislation to accomplish transformation of state enterprises which are property of the corresponding republics into joint stock companies with reference to the procedure established in the attached Statute on Joint Stock Companies and Limited Liability Companies.

6. To entrust keeping of a state register of joint stock companies and limited liability companies to the USSR Ministry of Finance. The USSR Ministry of Finance and the USSR Ministry of Justice are to establish the procedure for keeping this register within 1 month.

*Chairman of the USSR Council of Ministers N. Ryzhkov  
Administrator of Affairs of the USSR Council of Ministers  
M. Shkabardnya*

#### Finance Ministry Official Comments

904A0465C Moscow EKONOMIKA I ZHIZN in  
Russian No 27, Jul 90 p 15

[Interview with Ilya Petrovich Kitaygorodskiy, chief of the Credit Department of the USSR Ministry of Finance, by P. Korotkov: "How To Create Joint Stock Companies"]

[Text] **I. Kitaygorodskiy, chief of the Credit Department of the USSR Ministry of Finance, answers readers' questions.**

[Korotkov] Ilya Petrovich! Many of our readers ask why joint stock companies are needed at all? What role will they play in a market economy?

[Kitaygorodskiy] The point is, one of the most important elements of a market economy is the financial market, that is, the market in which money plays the role of a commodity. This sounds a little strange: a seller of money, a buyer of money. But we must get used to this strangeness.

There is more than enough free money today: enterprises have more than 100 billion rubles in accounts, and the sum of the population's deposits exceeds 350 billion rubles.

Primarily, the state is the buyer of this money. In 1990 it issued a domestic loan for distribution among enterprises and treasury obligations for distribution among the population.

Banks actively use this money as credit resources. They accomplish intrasectorial and intersectorial redistribution of financial resources using credit.

Joint stock companies will become another major buyer of money. Stocks and bonds issued by them will be distributed among enterprises, banks, cooperatives, and also individual citizens. Thus, joint stock companies are one of the most important component parts of a market economy.

[Korotkov] The statute talks about joint stock companies and limited liability companies. What is the difference between them?

[Kitaygorodskiy] Fundamentally, they differ little. The point is that joint stock companies form ownership capital by issuing stock, the owners of which may not be known in advance. Limited liability companies form ownership capital only by using the funds of shareholders, of which there are not many—5-6. The differentiation between joint stock companies and limited liability companies is arbitrary. For example, today all commercial banks in our country are limited liability companies. If they were to begin issuing stock, they would become joint stock companies.

The concept of "limited liability" means that the shareholder is liable for the company's obligations only in the amount of his share. This liability does not extend to the rest of his property (say, in the event of the company's bankruptcy). Unlike a cooperative, for example, whose members are liable for the cooperative's obligations with all their own property.

[Korotkov] Let us assume that a labor collective has decided, in accordance with the statute, to transform its enterprise into a joint stock company. What must be done to do this?

[Kitaygorodskiy] First, one must calculate, is it beneficial for the enterprise to become a joint stock company? What will be the consequences of this step? What will creating a joint stock company provide and what might the costs be? A state enterprise cannot be transformed into a joint stock company without working out these questions in detail.

Second, transforming a state enterprise into a joint stock company requires not only the decision of the labor collective but also consent of the state body which is empowered to make this decision. For the time being, there is no such body; the ministries will perform its functions.

[Korotkov] If a state enterprise were to be transformed into a joint stock company, would the state retain its participation in it?

[Kitaygorodskiy] The state may retain part of the stock of the new joint stock company. In conditions when we expect the transformation of many enterprises into joint stock companies, a problem arises as to who will be the owner, proprietor, and receiver of dividends for the state's portion of participation in these joint stock companies. The statute points out that the holder of the unsold portion of stock is the state body empowered to do so. Such a state body has not yet been created, and this, of course, will delay the process of transforming state enterprises into joint stock companies. It is being proposed to create such a body as a USSR state committee. It would be required to create the appropriate subdivisions for this committee in the localities, that is, a new cumbersome structure would appear.

In my opinion, the optimum solution to this problem would be to create under the USSR Ministry of Finance a Main Administration of Property with the appropriate subdivisions in financial bodies in the union and autonomous republics, krays, and oblasts. One must also take into account the fact that financial bodies have a direct interest in creating joint stock companies as quickly as possible. You see, the funds from the sale of stock go into the corresponding budget.

[Korotkov] How will the property of enterprises be assessed in the event of transformation into a joint stock company?

[Kitaygorodskiy] The statute establishes that stock will be issued for the entire value of the property of enterprises. It will be determined by a commission consisting of representatives of the organization making the decision to transform the enterprise into a joint stock company, the financial body, and the labor collective of the enterprise. Determining the value of property is one of the most complex problems. You see, today the book value of fixed assets minus their wear does not determine the real value of the property being transferred to the joint stock company.

After the value of the enterprise's property is determined, stock will be issued for its entire sum for sale to other enterprises, citizens, and, of course, primarily the enterprise's own workers.

[Korotkov] But the state may also buy part of the stock. Has the extent of the state's participation in joint stock companies been determined?

[Kitaygorodskiy] This is a complicated question which, unfortunately, is not reflected in the statute that was passed. Neither the minimum nor the maximum amount of stock belonging to the state has been established.

From my point of view, you cannot establish a minimum. Even if the state did not have stock in any enterprise at all, nothing terrible would happen. But a

maximum should be established. Let us take a hypothetical example. An enterprise wanted to transform itself into a joint stock company. But it was able to sell stock to the side (other enterprises and citizens) only in the amount of one percent of the ownership capital. And 99 percent remained in the hands of the state. Would such an enterprise be a joint stock company? Yes, according to the statute. But actually the owner remained the same—the state.

I think we should fix a minimum amount of stock (say, 25 percent) which if sold to the side turns a state enterprise into a joint stock company.

[Korotkov] Can someone prohibit turning a state enterprise into a joint stock company?

[Kitaygorodskiy] I do not rule out such a possibility. You see, this involves enterprises producing products that are especially important to our national economy. The decision on this, as I already said, will be made by the ministries for the time being, and then by the state body empowered to do so. This is recorded in item 46 of the statute.

[Korotkov] It is written in item 16 of the statute that an investment of a participant in a joint stock company may be, besides money, property (buildings, structures, etc.), as well as the right to use land, water, other natural resources, buildings, structures, and other property rights (including intellectual property). Who will determine the value of a share contributed in this manner?

[Kitaygorodskiy] I think the stockholders' meeting and the joint decision of the participants in the joint stock company should have the final say here. After all, they should not be interested in increasing the share and, consequently, increasing the ownership capital. Then the stock dividends would decrease with the same profits.

[Korotkov] Can a person, having purchased stock of some enterprise, transfer it or sell it to another person?

[Kitaygorodskiy] No, this cannot be done directly. Item 34 of the statute states that citizens may own only registered stock. In other words, in order to sell the stock, the owner must go to the joint stock company and announce this. The joint stock company finds another buyer and signs these securities over to him. Of course, all this will make circulation and dissemination of stock more difficult.

This condition does not apply to bonds, which in accordance with item 36 joint stock companies may issue to attract additional funds. Bonds may be both registered and bearer bonds. They differ from stock in that bonds do not give their owners the right to vote in deciding issues of managing the joint stock company.

[Korotkov] Item 46 of the statute states that funds received from the sale of stock must be used to cover the debts of the state enterprise. What is meant by debts of the state enterprise in this case?

[Kitaygorodskiy] Actually, this is not yet clear. Many bank credits, for example, have been granted for an enterprise's current activities. Let us assume that shipped goods are financed. No one would think of calling these credits debts. No joint stock company would be able to operate without such credits. Or take credits for seasonal stocks. They are also quite natural and will be paid after these stocks have been processed. Is it necessary to redeem this indebtedness when organizing a joint stock company? I don't think so.

In my view, debts in this case mean what the enterprise actually owes the state. For example, credits issued for an increase in the enterprise's own working capital. These credits must be paid, and the same goes for indebtedness to a bank for temporarily make up for a shortage of working capital. But I think that an appropriate explanation is needed for final resolution of all these questions, which will be prepared by the USSR Ministry of Finance.

[Korotkov] How will wages of workers of a joint stock company be regulated?

[Kitaygorodskiy] This is indeed a very important question. The statute says nothing about wages. But item 3 of the USSR Council of Ministers decree on approving this statute states that the activities of joint stock companies and limited liability companies not covered by this statute are accomplished in accordance with items 3, 5, and 7 of Article 18, items 4 and 5 of Article 19, and Article 20 of the Fundamental Legislation of the USSR and the Union Republics on Leasing. This should also be the guidance in questions associated with wages and in other cases when the appropriate explanation is not contained in the Statute on Joint Stock Companies and Limited Liability Companies.

[Korotkov] A final question. What are the prospects of development of the joint stock form of ownership? Will this process be slow or rapid?

[Kitaygorodskiy] It is very difficult to answer this question. Under capitalism, formation of joint stock companies took place over centuries. Today, the joint stock form of ownership has become the predominant form in capitalist countries. There are two reasons for this: the need to create large associations, which beyond private capital, and, in addition, the opportunity to attract the capital of small proprietors and the free capital of citizens. This enabled businessmen to control the activities of large companies with a small investment of their own capital.

In our conditions, these obviously will not be the only motives for creating joint stock companies. Paradoxical as it may seem, one of the main motives for creating joint stock companies in our country is the shortage of material resources. When creating joint stock companies, the main investment will not be in money but in providing technical and material potentialities. State enterprises and cooperatives will create joint stock companies for the purpose of providing themselves with raw materials and equipment and for performing other production tasks.

A second motive for creating joint stock companies in our country will be to resolve major technological, technical, organizational, and production problems, which requires not only money but also a joining of efforts of many enterprises.

I think that the creation of joint stock companies is a fairly long process. That is why I categorically do not agree with those economists (for example, N. Petrakov) who believe that the question of transforming state enterprises into joint stock companies must be decided in the next few weeks. I am afraid of another campaign. This process must be accomplished only on the initiative of the enterprises themselves as a result of a thorough study of the feasibility of creating a joint stock company.

#### Enterprise Economic Incentive Funds Analyzed

904A0469A Moscow *EKONOMIKA I ZHIZN* in Russian No 25, Jun 90 p 12

[Unattributed article: "Economic Incentive Funds"]

[Text] *"Today the enterprises and organizations have broad rights at their disposal for the formation and use of economic incentive funds. To what extent are these funds available to industry and how are they being used?"* V. Tsvetayev, city of Vologda

An exhaustive answer to the question posed by our reader is contained in a press-release which our Editorial Board has received from USSR Goskomstat [State Committee for Statistics]. In our opinion, it highlights two interesting aspects. First of all, a new item of payment from the resources of economic incentive funds has appeared—income from shares of stock. In 1989, as seen in the following table, industrial enterprises paid out a total of 381 million rubles from these funds. And secondly, although the enterprises expended more from their FES [economic incentive funds] than they accumulated, the funds remaining by the beginning of 1990 were still quite considerable. Is this not still another indicator of the continuing commodity-money imbalance in the national economy?

Formation and Use of Material Incentive Funds by Industrial Enterprises in 1989 (millions of rubles)	Material Incentive Fund (Wage Fund)	Social Development Fund	Fund for Development of Production, Science and Engineering	Total
Total amount of funds available	39062	29405	83365	151832
Including				
accumulated in 1989	26993	21746	66846	115585
Total amount expended	27474	22625	72357	122456
Including				
For financing expenditures for capital investments and the repayment of long-term bank credits	x	6550	42912	49462
For financing expenditures for the preparation and development of new and modernized products	x	x	1643	1643
For compensating for raised expenditures for the production of new products during their developmental period	x	x	762	762
For the carrying out of scientific-research, experimental-design and planning work	x	x	3331	3331
For maintenance of installations in the social-cultural sphere	x	6592	126	6718
For the carrying out of sanitary measures	15	1314	90	1419
For the carrying out of cultural-educational measures	21	755	68	844
For the payment of income from shares of stock	277	17	87	381
For other purposes	27161	7397	23338	57896
Amount remaining on 1 January 1990	11588	6780	11008	29376

### Industrial Managers Surveyed on Problems With Law on Enterprises

904A0332A Novosibirsk EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO) in Russian No 4, Apr 90 pp 19-24

[Article by Candidate of Economic Sciences N. A. Vasilyeva, Institute of Economics and Organization of Industrial Production, Siberian Department, USSR Academy of Sciences, Novosibirsk: "Two Years Later: Brief Results of a Questionnaire Survey of Directors"]

[Text] Two years have passed since adoption of the laws on the state enterprise and on amending and supplementing the USSR Law on the State Enterprise (Association). The draft Law on the Socialist Enterprise is being

discussed. Has the economic independence of the enterprise expanded? How do we improve economic legislation further? These questions were asked of participants of the 13th Meeting of the All-Union Directors' Club (Riga, 12-14 October 1989).

Eighty-two percent of the interviewed executives felt it necessary to update, rework or fundamentally change enterprise legislation. "Real conditions for independence are absent, and the power of the ministries survives. Prior to its amendment, the law was but a simple declaration. The amendments provided some breathing room,"—such is the judgment of one of the directors.

### What Directors Want to Do With State Orders

Of the total number of responses, the proportion of enterprises in which state orders occupy over half of production capacity is 76 percent. This means that

directive planning dominates economic practices. Even the minimum reserve of capacity needed for assimilation of new products, introduction of new equipment and implementation of other measures of scientific and technical progress is excluded.

The system of centralized control of production and product marketing has essentially remained the same. The imbalance between production plans and their resource support was pointed out by 86.7 percent of the respondents, involuntary rejection of profitable orders, manufacture of unprofitable or low-profit products and interaction with disadvantageous partners in production and marketing activities were cited by 70 percent, low competitiveness of products on the world market was pointed out by 40 percent, and presence of an order portfolio that is consistently in excess of the enterprise's production capacity and slowing down of growth of production in real terms were pointed out by 30 percent.

Summarizing the above, we can say that an extremely complex situation exists in the sphere of production and product marketing. The old system of ties between enterprises is quickly degenerating (one executive described this situation as one of total insolvency of the system of material and equipment support, reinforced by the dictatorship of a monopolistic producer). A new system of ties based on wholesale trade in production resources has not been created. There is no commodity market because its principal components are absent: a free producer, a free consumer and free prices. Therefore, the following proposals from practical and scientific workers deserve the soonest possible examination by the USSR Supreme Soviet and the USSR Council of Ministers:

1. Legislatively establishing a quota of production capacity reserved for state orders not exceeding 50 percent.
2. Foreseeing guaranteed support of state orders with all types of resources, marketing, and establishment of economic benefits; evaluating fulfillment of state orders with regard for the resource support actually provided.
3. Confirming an enterprise's voluntary inclusion of state orders in its plan on a competitive basis.
4. Granting the enterprise the right to sell products manufactured in excess of state orders, on the basis of contracted or free prices.
5. Confirming the right of product users to issue and place state orders.

#### Rights for Those Lacking Them

The next group of questions on the questionnaire involve the investment activities of enterprises. Realistically the only rights an enterprise possesses are those of independently drawing up and approving the capital investment plan, planning estimates, title lists and schedules of construction and installation work funded

by internal and borrowed assets. On the whole, these rights are of course of some importance. Of the surveyed directors, 69.7 percent are prepared to insist upon the right to approve planning estimates, title lists and schedules of construction and installation work funded by internal and borrowed assets, 57.6 percent are prepared to defend the right of independently drawing up and approving the capital investment plan, and 36.3 percent are prepared to defend the right to draw up planning estimates on a competitive basis and refuse obsolete designs from developers.

The problems encountered by enterprises in the course of investment activities are ranked in Table 1.

Table 1

Problems	% of Directors Noting the Given Situation to Be Typical
Involuntary limitation of the directions and objects of investment necessary to the enterprise due to a shortage of financial, material and technical resources and of capacities of designers and contractors	88.2
Concessions to builders "in kind": providing manpower, "finishing off" facilities independently, allocating material and technical resources, etc.	79.4
Unfavorable initial conditions (worn fixed productive capital, shortage of housing and children's institutions, etc.)	79.4
Lengthy, low quality planning and erection of facilities	73.5
Absence of possibilities for selecting partners in investment activities due to the monopolistic position of planning and contracting construction organizations	73.5
Low contract discipline (failure of planning and construction deadlines, failure to deliver equipment for construction and installation work, etc.)	73.5
Excessive volumes of unfinished construction, excessive stockpiles of uninstalled equipment	44.1
Wrong or ineffective decisions expressed in incorrectly stated goals (directions and objects of investment)	35.3

Analysis of the distribution of the financial resources of the surveyed enterprises showed that 82 percent (from 50 to 100 percent) of resources are used to finance capital construction. The proportion of financing of the construction of production facilities is 50 percent or more among 82 percent of the enterprises. A significantly lower proportion of assets are channeled into financing measures of scientific and technical progress: Only 18 percent of the enterprises spend over 25 percent

of their assets for these purposes. Financing of new forms of entrepreneurship (acquisition of the stocks of other enterprises, leasing of enterprises, constituent and sponsor dues, etc.) did not enjoy wide introduction among the surveyed enterprises. Only a fourth of the enterprises allocated assets for these purposes, and not more than six percent of financial resources at that. Outlays on social development, advertising and training make up a noticeable proportion of investments. Of the surveyed enterprises, 57 percent spent money for these purposes, with the proportion spent reaching up to 50 percent of total financial resources.

Real expansion of economic independence of enterprises in the sphere of investment activity and an increase in the latter's effectiveness would be possible only with creation of a capital market, which presupposes a change in ownership of the implements of production. This issue is also being raised both in connection with the status of productive capital acquired by enterprises on a self-financing basis, and in connection with development of leasing relations and formation of cooperative, joint, joint-stock and other enterprises.

An awareness of the need for a Law on Property Ownership, followed by amendment of the Law on the Enterprise, is gradually developing.

#### What Is It That Depresses the Financiers?

There are also too many barriers in the enterprises to reasonable, rational financial activity. The greatest displeasure is elicited among directors by, for example, the absence of economically justified standards regulating financial relations of the enterprise with the state budget and with its higher administrative organ.

Most enterprise executives are certain that retaining the status of ministries as the higher organ precludes contract relations. An enterprise cannot influence the amount of its cost-accounting income because its productive capacities are practically completely occupied with state orders. Depreciation deductions are centralized to a significant extent. The right to exchange, sell, lease and perform other functions with fixed productive capital is limited because state ownership still prevails.

The total amount of profit (deductions) expropriated into the budget and to the ministry via all channels is: up to 25 percent—25 percent of the enterprises; from 25 to 50 percent—28 percent; from 50 to 75 percent—28 percent; from 75 to 100 percent—19 percent of the surveyed enterprises. Deductions from profit into the local budget totaling up to 5 percent are paid by 64 percent of the enterprises, while deductions from 5 to 10 percent are paid by 36 percent.

Retention of the former conditions for the financial activities of the enterprises explains persistence of the principal negative phenomena in this sphere. Half of the directors point to growth of outlays per unit of product (work, services) and growth of the scale of unprofitability of articles, production sections and production operations. Approximately half the enterprises sense their financial position to be unstable, and their solvency to be worsening. The profitability level is declining in one out of every three enterprises, and one out of every six is not fulfilling the profit plan. The loan debt is growing.

Change in the financial possibilities of the enterprises before and after introduction of the Law on the State Enterprise is shown in Table 2 (in percentages of the total number of responses).

Table 2

Sphere of Activity	Possibilities Broadened		Possibilities Hardly Changed	Possibilities Narrowed
	Significantly	Insignificantly		
Production and technical development	18(24)*	32(47)	38(26)	12(3)
Construction of housing and other nonproductive facilities	18(18)	34(35)	40(32)	8(15)
Wages	21(19)	59(41)	18(31)	2(9)

\*Data from a similar survey conducted in Sverdlovsk in April 1987 are given in parentheses for comparison.

Judging from these data, assessments of the financial possibilities of enterprises in the production-technical sphere worsened dramatically (71 percent and 50 percent of the respondents). At the same time the assessment of possibilities in the area of wages improved—60 percent and 80 percent, while possibilities in the sphere of housing construction remained unchanged. But on the whole, more than half of the directors still claim an expansion of financial possibilities. This inspires hope.

#### In the Portfolio of the Deputies

Final work is currently proceeding intensively on the package of bills elaborating upon the economic reform. There are obvious omissions in this package: Even drafts of laws on the collective enterprise, on private enterprise and so on are absent. But I would like to turn attention to something else.

In the immediate future the state sector, which is based on state ownership of the implements of production, will continue to make up a significant part of the economy. Therefore we doubtlessly need to keep an independent Law on the State Enterprise within the set of standards. The draft Law on the Socialist Enterprise is typified by significant shortcomings; the latter are responsible for the generally reserved assessment of this document. Members of the All-Union Directors' Club asked the people's deputies to reject the socialist enterprise bill and draw up a suitable bill in 1990. Introducing acceptable amendments into the Law on the State Enterprise was the line they proposed we follow during the period of transition.

Amendments in regard to the following items were proposed during the club's meetings on the basis of the questionnaire survey and several debates on required changes in the Law on the State Enterprise:

- 1) the status of the state (and mixed) form of ownership of the implements of production, including know-how, brand names, patents and other forms of intellectual property;
- 2) the status of state orders and the conditions of issuing them;
- 3) legislative regulation of mutual relations of enterprises with state organs (with the Gosbank primarily), with local organs (especially in regard to doing work outside the enterprise's profile and production of consumer goods) and with business partners;
- 4) depreciation deductions and investment policy;
- 5) the function of state acceptance;
- 6) the procedure for determining specific applications of the law.

**COPYRIGHT:** Izdatelstvo "Nauka", "Ekonomika i organizatsiya promyshlennogo proizvodstva", 1990

#### **Reform Committee's Role in Drafting Economic Legislation Described**

*904A0332B Novosibirsk EKONOMIKA I ORGANIZATSIIA PROMYSHLENNOGO PROIZVODSTVA (EKO) in Russian No 4, Apr 90 pp 33-43*

[Interview with USSR Supreme Soviet Economic Reform Committee Chairman Valentin Mikhaylovich Vologzhin by correspondent L. A. Shcherbakova: "Resourcefulness, Interest, Enterprise"]

[Text]

[Shcherbakova] Valentin Mikhaylovich, you appeared in this journal over a year ago in the role of general director of the Lvov Konveyer Association and chairman of the council of the country's first joint-stock company, Konveyer (see the collection "Revolution at 'Konveyer,'"

EKO, No 1-2, 1989). What do you find most difficult in your new position? Was it hard to adjust to your new activities?

[Vologzhin] Yes, the work is completely different. An executive of a modern enterprise often has no time to give much thought to any particular argument. He must make a decision quickly, and implement it quickly, taking his cues from a previously arrived-at conception or strategy for the association's development. Here, relations are different. It is important to hear out and analyze all points of view, and to arrive at an understanding of the problem without haste. In general, to act in accordance with this principle: hurry slowly. When we began work, no conception of economic reform was yet in existence. The government was in an exploratory mode. The commission created under the leadership of Academician L. I. Abalkin involved itself in development of the conception of economic restructuring. And it was not until a scientific-practical conference was held that the possible directions of reform became clear. Our objective is to help implement this conception through legislative means. To create, with reliance on specialists, laws which would allow its implementation. The difficulty is that various conceptual proposals exist. Some of them differ and will continue to differ from the approved conception, but they cannot simply be discarded. They must constantly enrich the conception. A serious conflict arises: on one hand, new laws are needed, while on the other, we cannot adopt them in haste: speed must not be a detriment to the quality of the laws. One incorrect word or unclearly formulated premise could do irreversible harm to the country's economy. Herein lies the great difficulty.

It is also difficult because sufficient experience in diplomacy is lacking. Whenever we make a frontal attack, we lose. But this is just a question of time; I think that we will pick up the skills of communication.

[Shcherbakova] What, then, gives you satisfaction? Are there such moments?

[Vologzhin] Of course. The members of our committee experienced it following the second session of the USSR Supreme Soviet. The conception behind the USSR Law on Property Ownership was formulated in the committee. Good work was done by Doctor of Economic Sciences A. N. Boyko (Donetsk), and by scientists from Kiev and Leningrad. It differed from both the government's conception and that proposed by Academy institutes. But when specialists of the committee, the Council of Ministers and the USSR Academy of Sciences all reached agreement in the joint effort, we experienced (for the first time!) maximum satisfaction from our activity. Immediately following publication of the bill we began receiving letters reporting that it had public approval.

The Law on Leasing was drawn up under the guidance of USSR Academy of Sciences Corresponding Member P. G. Bunich. This is one of those laws which can change

property relations in short order, because in leasing collectives, the collective itself disposes of the end product. I think that it will contribute to stabilizing the economy, raising labor productivity and saturating the market.

We feel adoption of a law on the economic independence of Baltic republics to be extremely important. This is a complex and even contradictory law. Political problems can be discerned behind its economic "proscenium." However, despite all of the difficulties, when there were serious doubts as to whether we would manage to reach agreement, I still recall our late-night discussions with gratefulness. We did finally manage to find a compromise, we did finally attain unity in this highly complex issue! We feel that it will be an aid in "dressing" one of the country's sore spots. I can't say that it will be a cure—there are incurable diseases, after all. But it will relieve tangible pain. I feel that the Supreme Soviet displayed wisdom in its resolution of this issue.

[Shcherbakova] But what if someone other than M. S. Gorbachev led the session on that day? Are you sure that the law would have passed even in that case? It was all decided by a single vote, after all.

[Vologzhin] Gorbachev's wisdom and the influence of his personality did of course play the determining role. He stated the need for this political and economic step very clearly. Many understood the importance of what had been done. An associate from another committee came up to me after the vote and confessed: "I sat there and swallowed one validol after another." Such was the intensity of passion.

[Shcherbakova] Valentin Mikhaylovich, don't you think that its adoption will play a negative role—not in the Baltic, but in other regions?

[Vologzhin] Much time has passed since the beginning of the reform. And the people have had time to get used to the term "economic independence of cost-accounting republics." These words no longer sound as new as they did before. Adoption of this law is the first major step toward defining the conception of the economic reform. Although it had not been approved by that time in Congress, and its implementation had not yet been announced at the government level, this law did make many things irreversible.

[Shcherbakova] Including the movement away from economic dictatorship and toward economic freedom for all regions and republics, perhaps?

[Vologzhin] Yes, a step has been taken in this direction. I can't say that we are free of the apprehensions you mentioned, but both sides have now received a document by means of which agreement could be reached. This is important.

[Shcherbakova] I would like to learn about the committee's work in greater detail. Do you ever have disputes and debates, ones perhaps escalating into quarrels?

[Vologzhin] Ultimately we reach agreement. But when it is time for discussion, especially of approaches to drafting a law, and of its basic premise (what it should reflect, what it should influence, what it should rectify, how it should work), the debates reach the boiling point. Our principle is this: every alien thought has the right to be discussed. How extreme, centrist, left-wing or right-wing it may be is unimportant. But the work must go on in such a way that everyone would come to agree on the conception of the law. Someone has to give in. This is a dramatic moment! This is when people begin suggesting that we put it up to a vote, that we adopt two laws, that we adopt three laws.... That is, the suggestion is made to take the turmoil out of committee and drop it in the lap of the session. Our committee is staffed with scientists—academicians, corresponding members and candidates of sciences, with enterprise directors, with workers and with engineers. We have to structure our interaction in such a way as to prevent domination by the interests of a particular group. Of course, the competency of economic scientists is higher than that of practical workers. But even proper presentation of the problems should not cause anyone offense. This requires a great deal of persuasion, and a display of patience. Many begin to look at things more deeply, they change their opinion, and their outlook widens. The search for agreement is a complex thing. Emotions frequently cause a person to "explode": "Aren't I also a people's deputy?! I also have the right to my own point of view!" Yes, that's true, but it doesn't at all mean that your point of view is precisely the one which should be adopted. After soothing such passions and leading the discussion into a more tranquil channel, we finally reach agreement. But this is extremely difficult: Forty-four persons, 44 points of view, 44 personalities representing different social groups.

[Shcherbakova] Much has been written and said about the fact that the session did not pass as many bills as had been anticipated. What is your opinion on this account?

[Vologzhin] During the work of the Second Session around 30 documents were adopted. It was a very productive session. Our committee alone worked on three bills (among those which were passed). And there were ones which we tabled as well.

The committees and commissions do most of the work of preparing the bills. All debatable issues are resolved in conciliatory commissions. One particular law we worked on was that on the economic independence of the Baltic republics. The conciliatory commission worked very hard. This procedure allows us to remove the greatest quantity of debatable issues before the bill goes to session.

[Shcherbakova] In your discussion of bills do you foresee any kind of machinery permitting analysis of the consequences of their passage?

[Vologzhin] We are now considering this matter. What needs to be done? Few laws have been passed as yet. The

Second Congress of People's Deputies discussed the conception of radical economic reform. Our desire is to enlist the cooperation of the USSR Academy of Sciences, and its Siberian Department in particular, and the Union of Engineering Societies to create a mathematical model that would allow us to observe the action of a particular law in its dynamics. Work is already proceeding in this direction. We are being assisted by economists who are not yet known to the public at large—unrecognized economists, so to speak. They proposed their mathematical model. But it includes conditions that were formulated in the bowels of the bureaucratic command system. That is, conditions that are fading into history.

[Shcherbakova] We will hope that they will in fact fade away.

[Vologzhin] When we fed the Law on Cooperation into this model, it destroyed the system instantaneously, while it took three years for the Law on the State Enterprise to do so. We have a fundamental need for such a mathematical model, one which would trace the progress of implementation of new laws. To create a new workable economic system, we need to pass around 30 bills. Were we able to feed all of them through this model, we would make much fewer mistakes.

[Shcherbakova] Might this be interpreted as a demand of your commission?

[Vologzhin] Yes. I feel that this is fundamental. After the conception of the reform is adopted, we could create a mathematical model that we could work with.

[Shcherbakova] What basic principles does the committee follow in its approach to any law?

[Vologzhin] The primary idea is to raise the individual's interest. Ninety percent of our country's property belongs to the state. There is no room for personal interest. But to whom is this state property assigned? To the Council of Ministers? No. To the ministries? It would seem, yes. But the ministries are ultimately not owners either. The results of the work of the plants have absolutely no influence upon their status. Enterprises and labor collectives are owners to an even lesser extent: everything they produce is taken away from them. "Denationalization" of property, its transfer into the hands of the collective or a specific person, and change of the latter's attitude toward the implements of production and toward labor: this is our main line, our central pivot. During the revolution, the party declared land to the peasants, and factories to the workers. But this slogan remained nothing more than a slogan. And now we are implementing its main idea through all of the laws being written by the committee. When we work on the Law on Leasing, we remain cognizant of how this idea is reflected in it; when we discuss the Law on the Socialist Enterprise, once again we do so from this point of view; when we examine the problems of forming the market, again we ask ourselves the same question, and so on.

[Shcherbakova] You've just used a word which many utter today with hardly any thought to all of the complexity of this concept: the market. The most important thing—how to make the transition to it—is often left unaddressed. There are many problems in this area. Not that long ago I was in Irkutsk Oblast visiting the Soviet-Japanese joint venture Igirma-Tayriku. Having no reliable, permanent ties with the world, will it really be able to prove itself in the world market?

[Vologzhin] My understanding of the way the groundwork for organizing a market in the country should be created is as follows. First of all we need to make the enterprise economically interested in manufacturing inexpensive products in large quantities. When it begins to receive a large income from every unit of product, it will begin producing even more. This is possible only if the forms of property ownership are changed. It may be said that products belong to a producer when he understands that if the quality of the products is low, he will find himself penniless. The entire system of "producer-consumer" mutual relations will become different if the form of property ownership is changed. Then there is the problem of supporting the "inner workings" of this process—providing the market with fax machines, computers and so on. If one producer lacks all of this while his neighbor has it, the neighbor will develop better, and his earnings will rise. None of this exists right now, and there is no interest in developing the infrastructure. I think that we can arrive at a market only by changing "producer-consumer" mutual relations, by establishing new forms of property ownership.

[Shcherbakova] But how do we reconcile this individual interest with the USSR Supreme Soviet decree on taxation and on 3-percent growth of wages? Valentin Mikhaylovich, the enterprises are trying to produce consumer goods in every way they can. But what is it that they are producing? These are the most primitive articles. And they aren't interested at the moment in increasing production of basic articles—plastics, bearings, electronic components. What is the origin of this decree, which is so much in conflict with your activity?

[Vologzhin] The sole useful result of the first four years of perestroika was that we learned what paths we shouldn't follow. We realized that the principles which we attempted to implement would not produce the desired impact. On the contrary they aggravate the situation. What was the result of decreasing state orders and selling, on the basis of contracts, any products manufactured in excess of state orders? The producer received a possibility for making high profits without increasing production, and sometimes by even decreasing it, as a result of the contracted prices. In this way the collective receives high wages which it has not in fact earned. Monopolism is the essence of our economy. While in former times it could be influenced—albeit ineffectively—by means of administrative methods, now that the independence of state enterprises is increasing and joint-stock companies and leasing enterprises are

making their appearance, you won't be able to do anything with administrative methods. Let's assume that three enterprises in the country are manufacturing the same product. Having received the possibility for uniting under the new conditions, and being absolutely independent (the state can influence them only through taxes), they will once again dictate their will upon the country.... And the decree's three percent above the total increment in wages you mentioned is not one of the government's better measures. Why did the Supreme Soviet opt for this? The government asked for 15 months in which to stop the negative trends in the economy. And this was one of the government's extraordinary measures. The idea was simple: it was thought that the enterprises would focus their efforts on producing consumer goods. The market is empty, but in my opinion either there will be no impact from such taxation at all, or the negative trends will intensify.

[Shcherbakova] This is essentially a repetition of the relationship between the rates of growth of labor productivity and wages that was recently repealed and which was criticized for such a long time prior to this at all levels.

[Vologzhin] But in a worse variant!

[Shcherbakova] Valentin Mikhaylovich, public opinion at the eve of the Supreme Soviet's second session was this: much could be changed if the Supreme Soviet were to exercise its powers in relation to the Council of Ministers. Has this happened?

[Vologzhin] In general, the government came to understand that this was not the old Supreme Soviet, that many things are in fact being decided in committees and commissions, that a point of view should not be defended only because it is one's own, that ambitions need to be abandoned, and thought must be given to the country's destiny. The government now comes to our committee for expert examination of its decisions not pertaining to legislation. This is a step forward. New mutual relations are forming between the committee members, the Council of Ministers and the apparatus of the Supreme Soviet. Of course, in the beginning we lacked experience, we were not rehearsed in parliamentary debate. Apparently only the scientists had such experience. Even the terms that we had to use were new to us. But with the help of the apparatus of the Supreme Soviet we acquired a certain amount of experience. When the deputies suggested that we conduct the meeting of the conciliatory commission on preparing the bill on economic independence of the Baltic republics (a highly complex issue!), we took this to be a recognition of the fact that we are beginning to "mature." I think that we will "mature" step by step. We have no objective, after all, other than the country's good.

We in the committee arrived at the opinion that inasmuch as we in the Supreme Soviet appointed the government, our task is to help it, and not to oppose it.

[Shcherbakova] Let's imagine a situation such as this: A year has passed, and the government is powerless to solve the problems. Is a mechanism for retiring it foreseen?

[Vologzhin] Academician L. I. Abalkin, the deputy chairman of the USSR Council of Ministers, asked us to give the government 15 months. If it proves itself to be incompetent, it will be retired. The government itself favored introduction of such a mechanism, and it even determined the deadline.

[Shcherbakova] Valentin Mikhaylovich, it was just five years ago, at the April Central Committee Plenum, that the beginning of perestroyka was announced. What is your assessment of these years?

[Vologzhin] I already stated that four years of economic reform were simply lost, and they even aggravated the economic situation. But they demonstrated to us the impermissibility of solving problems by the old methods. We need a fundamental position and fundamental steps. We can't smooth over and hide the problems: A little breeze, and the economic problems are laid bare. I think that the fifth year should lead to economic stabilization. The people are losing patience.

[Shcherbakova] When you say stabilization, are you counting on the new laws?

[Vologzhin] I think that industry's turn in the direction of saturating the market with consumer goods should relieve tension in the country. The government will apparently allocate part of the hard currency it has earned to saturating the market, for the time that industry is undergoing its reorientation. This may stabilize the situation. But there is no guarantee that "denationalization" will proceed actively. And without this, the 13th Five-Year Plan will end up being just a fairy tale, like the one before it. This year we must enact laws making the producer interested in the results of his labor. This will lead to fundamental changes. And in 1990 the government must keep the economy from slipping any further into the abyss, so that in the meantime a possibility for restructuring economic mutual relations in the society could appear.

[Shcherbakova] Discussing the interest of laborers in the results of their labor, I can't help recalling joint-stock companies. Why has there establishment been essentially halted in the country?

[Vologzhin] Yes, joint-stock companies have not enjoyed development in the country. Primarily because they were thought of, and continue to be thought of, as being nonsocialist in their essence. The legislative documents that have been enacted are not promoting their spread; instead, they are suffocating and blocking them. I am referring to the USSR Council of Ministers decree on this subject. This is what I feel from my own experience, from the experience of the Konveyer state joint-stock socialist enterprise. Public stocks are not meeting with understanding. In the meantime from 600 to 800

enterprises go public each year in the USA. The government stimulates banks to provide them loans in amounts up to the total of their charter fund. We at Konveyer took out a loan of one million rubles, but the decree has prohibited loans. Why? After all, wouldn't such a loan tie down some part of earnings, and for more than just a single year?! Back in the USA, labor collectives understand this, but we in our country don't. According to the decree all dividends, income and profit must be taxed. And what if shares are purchased with this income? Should they be taxed? I think not. Shares are not money, they do not place undue pressure on the market. They need to be taxed when they are converted into money, and not before.

Our committee has now started the actual work of writing a bill concerning transition to joint-stock companies. We called in scientists to participate in the work. The government has some ideas to contribute on this account as well. But for some reason there is the widespread opinion that we need to wait on creation of joint-stock companies. And yet their creation means accumulation of active money over a long future! After the Congress, in the first half of 1990, we will tackle these issues head-on.

[Shcherbakova] Does this mean that you are just as full of enthusiasm about creating joint-stock companies as they are in Lvov?

[Vologzhan] Joint-stock companies are extremely effective. We at Konveyer plan to create a joint-stock company together with the ministry, so that state organs, which would be co-owners, could help us solve common problems.

[Shcherbakova] Would this not be an encumbrance to other enterprises?

[Vologzhan] They may become co-owners of several joint-stock enterprises. This is one of the forms of raising the interest of central administrative organs in the results of an enterprise's work. Whatever the case, we will always need intermediaries. So let them be dependent on the enterprises, let them be co-owners, let them receive part of the income as shareholders. Then they will become economically interested as well. What's so bad about all of this?

It is my deep conviction that we started reorganizing state administrative organs, including the ministries, from the wrong end. In the vertical structure which the administrative command system created, the number of enterprises used to be consistent with the possibilities for controlling them. Now the ministries have been undergoing unification for three or four years. As a result they have lost the possibility for controlling their own enterprises, although the preconditions for such control remain. There has been absolutely no change in the economic system! There are almost no relationships on the horizontal level, while the demand for vertical control has even risen, paradoxical though this may seem. At the top, everything remains as before (I am referring to

the Council of Ministers and Gosplan). The middle administrative link has been shattered. Ties between enterprises are breaking down. The system is reeling.

We should have first changed economic relations from below, so that the superstructure would have undergone self-elimination, so that the functions of the ministries would have changed in a natural manner, so that a bloodless revolution would have occurred. But instead, we are creating constant stresses in our reorganization, trying to adjust our actions to the overall clamor. I'm not for the ministries, but we can't do without them. They must of course have different functions. For the present they are being united, disunited, and reduced, but the functions of many remain the same. What we needed was a conception of transition from an administrative system to a free enterprise system. But it doesn't exist yet.

[Shcherbakova] I understand, Valentin Mikhaylovich, that you will remain chairman of the Konveyer joint-stock company.

[Vologzhan] Yes, of a company which does not yet essentially exist. The laws with which I am involved create the economic environment in which I may end up working after the next elections. Therefore I am trying to make this environment as perfect as possible. Resourcefulness, interest, enterprise—these are the main qualities, and what we must create with our laws is the foundation upon which they can manifest themselves. If Konveyer recognizes my new work to be useful, then that would mean that it will be useful to the entire country as well.

Of course, my heart is back there, with Konveyer. Its collective is my ultimate judge. At Konveyer we want to create a model joint-stock company which would become both a prototype and an encouragement to create such companies throughout the entire country. Hundreds of enterprises have converted to labor shares similar to ours. But this is only an intermediate form. Permission to develop this form was not granted. But we must keep moving forward: We need to create a real joint-stock company and issue the full quantity of shares amounting to our charter fund; we need to find ways of establishing co-ownership of shares by the labor collective and the ministry, and by laborers who do not work at our enterprise; we need to create a new administrative structure, inasmuch as we do not as yet have a stock exchange (and we will invariably come to that); we need to create a commercial bank that would serve in this capacity.

[Shcherbakova] Good look to you, and EKO hopes to return to this subject once again.

COPYRIGHT: Izdatelstvo "Nauka", "Ekonomika i organizatsiya promyshlennogo proizvodstva", 1990

### Reorganization of Enterprises into 'Concerns' Encouraged

904A0292A Moscow *EKONOMIKA I ZHIZN* in  
Russian No 14, Apr 90 p 6

[Article by Doctor of Economic Sciences B. Milner, first deputy director, Economics Institute, USSR Academy of Sciences: "Was the Escape From the Bureaucratic Prison Successful?"]

[Text] An analysis of submitted proposals and plans associated with forming large organizational structures—concerns, associations and consortiums—reveals that in many cases the present trends and laws of organization of production and administration, and of joint, coordinated activity, in the conditions of a transition from vertical to horizontal ties, are not accounted for. The main shortcoming is understatement of general and primarily the economic interests of the participating subjects, and the tendency to prescribe from above, as in former times, the structure, the mutual ties and the distribution of functions and responsibilities. And still worse, the tendency to fit, to install new forms into the old conditions of administrative subordination.

All of this inevitably results in ineffective activity, and ultimately the collapse of outwardly progressive structures and to creation of only the appearance of change. This is why there is an urgent need to analyze some of the general approaches and principles that should be taken into account in the pursuit of the vitally important objectives of shaping a modern and reliable countenance for the main link of the national economy.

Dismantling of the authoritarian administrative system and the hierarchical structures corresponding to it is possible only on the condition that enterprises and associations are strengthened in every way possible, and that a transition is made to modern forms of organizing their joint activity on the basis of diverse horizontal ties. There are no alternatives to this. Moreover, without fundamental restructuring of organizational structures and integrative processes at the level of the main link, it would be possible neither to form market relations and their infrastructure, nor effect a transition to a regulatory role by state administrative organs, nor to create real conditions for introducing full cost accounting into the enterprises, nor to concentrate efforts on the promising directions of scientific and technical progress. The close interrelationship and interdependence of all elements of the new economic mechanism manifests itself clearly in this case.

Changes of a fundamental nature are already occurring in the organizational forms of administration. The process of creating—in addition to state enterprises—various sorts of associations, concerns, joint-stock companies and commercial banks has begun, and it is intensifying.

### From Data of the USSR State Statistical Committee

Number of concerns, interbranch state associations, associations, joint-stock companies and consortiums as of 1 January 1990

Concerns	17
Interbranch state associations	16
Associations	207
Joint-stock companies	25
Consortiums	10

Utilizing the possibilities of diverse forms of ownership has fundamental significance to confirming the new organizational forms of administration. One of the recent noticeable advances of economic theory has been establishment of a direct tie between the forms of socialist property and the forms of management, substantiation of the need for taking the state out of property relations and for flexibly combining different forms. The rising level of collectivization of production and its concentration should lead to free, and not directive or compulsory, unification of the factors of intensive management, to horizontal integration of the main links, which would operate on the basis of different forms of ownership.

An objectively substantiated diversity of forms of ownership provides the key to solving a large number of highly important problems associated with restructuring the economy's administration. Among them are separation of the functions of state administration from the functions of local management, the diversity of forms of the main link, and transition from predominantly vertical to predominantly horizontal structures and ties. This also predetermines use of different forms of self-management and specific combination of the independence and responsibility of the labor collective and the individual worker, of lower and higher units, into a system of economic management. It is important to travel different paths—both economic and organizational—in order to place every labor collective, every worker into a position of ownership.

This also has a direct bearing on the organization of the joint activities of enterprises. Concerns, economic associations, consortiums and other associative structures are not under the direct control of the state, they are not subordinated to bureaucratic organs. Instead, they function in the cost-accounting sphere on the basis of the principles of economic self-management. Authority lies here not with state organs but with the labor collectives, which make the final decision as to forming particular organizational structures.

In this case the enterprises retain their independence and their rights as legal persons. The principles of voluntary association on the basis of common economic interests, equality of participants, freedom of choice of organizational forms, and self management must be observed.

Centralized fulfillment of certain production management functions indicated in contracts may be centralized on the basis of the coordinated decision of the enterprises to form a union or association. The expenses of

maintaining administrative bodies and centralized structural subdivisions are covered by deductions from the corresponding enterprises.

Some of the new large structures would include all phases of the production processes—from acquiring the raw materials to producing the finished product. Others would focus on a single phase—acquisition of the raw materials, or their processing. A third group would assume the responsibility of mass production of certain parts of a product. A fourth group would take care of the enormous volume of services. There are many variants, but the meaning is the same: Concentration of resources, output capacities, and production operations of different profiles would satisfy public demand, permit maneuvering of resources, hasten scientific and technical progress and reduce expenses.

The following circumstance has fundamental significance. The overwhelming majority of functional services of the upper level in large concerns and economic associations operate as "service" cost-accounting organizations on the basis of full cost accounting and self-financing, and on the basis of contracts with production companies. This is the foundation of cost accounting for the sectorwide system as a whole, encompassing all of the extracting, processing, servicing and intermediary enterprises and organizations included within it. A single interrelated and mutually supplementary chain of cost-accounting organizations, together with the entire system of their economic interests, operates in this case. Production, commercial activities, material and equipment supply and sales, engineering, information and legal services, and marketing may be carried out in this fashion. (The typical characteristics of voluntary associations of enterprises are shown in the table).

Voluntary Associations of Enterprises

Concerns	Economic Associations	Consortiums
Voluntary centralization of the functions of scientific, technical and production development, and of investment, financial and external economic activities. Enterprises serviced on a cost-accounting basis. May be sector and intersector (interdepartmental) concerns. Represent the interests of participating enterprises in all mutual relations with ministries and departments and with other organizations and institutions	Contract-based association of enterprises created to coordinate production management activities with the purpose of reaching certain objectives, deepening specialization and developing cooperation, and organizing joint production operations. Participants pool part of their financial and material resources, and may enter into other contract-based associations of enterprises. Departmental subordination of enterprises does not change	Temporary voluntary association of enterprises for specific objectives—implementing specific-purpose programs and projects, chiefly scientific-technical, investment, nature protection, and so on. Enterprises characterized by any form of property ownership are brought together. After the objective is reached, the consortium ceases its activity. Participants maintain their economic independence, and they may join other consortiums, associations and joint ventures.
Examples: Norilskiy Nikel, Gazprom, Energomash MGO [Interbranch State Associations], Tekhnokhim MGO, Kvantemp MGO, Tekhsteklo, Margarinprom etc.	Examples: Agrokhim, Stroyindustriya, Energobalans, Soyuzintermed, Rus etc.	Examples: 23 interbranch scientific-technical complexes (MNTK), Shchapo, Energoekspor, Energiya, Stekloplastik etc.

Property law provides for regulation of the property issues of associations of socialist enterprises. I would like to turn attention to three circumstances. The first—associative forms of activity (the concern, the economic association, the consortium, the intersector and regional association) must possess the right of ownership of property handed over to them voluntarily on a contract basis by enterprises and organizations. The second—these new structures must not have the right of ownership of property of enterprises and organizations contained within them. The third—property left over after cessation of the activities of the concern, consortium or other association is distributed among the enterprises and organizations making them up.

It would be suitable today to specially single out leaseholder associations—a fundamentally new form of joint activity of enterprises. Leaseholders of all forms conducting their activities on the basis of a contract calling for compensated possession and use of land and other natural resources for a fixed period of time, and enterprises and other property-owning complexes, now have the right to form joint organizational structures on a voluntary basis that satisfy their common interests in production and services—associations, unions and so

on. An association of leaseholders may include any collectives and citizens irrespective of the form of ownership.

Large production management complexes—state concerns—are an issue deserving of special examination. By their formation, an entire sector or subsector is shifted from the sphere of administrative relations to the sphere of cost-accounting relations. In particular when the state Gazprom concern was formed, an entire sector was taken out of ministerial control and placed within the framework of a large cost-accounting voluntarily organized structure. I think that the frequently heard reproaches that only the names were changed unjustifiably simplify the matter. The concept itself was profound and serious, though its implementation by means of new structures, new systems of economic relations, new principles of operation and new norms of economic behavior will require a number of years.

What predetermines the advent and swift development of concerns? First of all, closed chains of interrelated production processes spanning enormous territories (on the scale of the country, and large regions) are typical of a number of basic industrial sectors. This is true for

example of gas extraction and transportation, of unified power engineering systems, of communication systems and of transportation systems. Profound, widely branched internal cooperation and a specialized infrastructure have evolved in such sectors. They are typified by efficient and unified production regulation, dispatcher control and, if necessary, maneuvering of the use of output capacities and resources, attendant monitoring, and efficient prevention of disturbances and crises. In this case, production monopolism brings about organizational monopolism.

Second, being large-scale complexes, state concerns possess all of the conditions for operating as cost-accounting organizations.

Consequently a large economic formation characterized by different scales and forms of management of economically independent organizations shifts to cost accounting and self-financing. This also means that the complex's management system must be based on democratic principles, and it must include bodies such as a constituent assembly, a governing board, and an oversight council with the corresponding powers. It stands to reason that creation of sectorwide state concerns requires strict compliance with the principle of voluntary entry into them by enterprises and associations, and complete and unconditional observance of their rights.

As we can see, there is an objective basis for forming large cost-accounting organizational structures such as concerns typified by a wide range of activities. Trends in development of material production such as unified and multiple use of the raw material base and production procedures, cooperation of specialized operations, and integrated manufacture, delivery and maintenance of the end product are intensified within the framework of these structures. The same can also be said for ensuring completeness of the "science—technical developments—investments—production—sales—applications" cycle and for development of the major directions of scientific and technical progress on an intersector basis: electronics, structural materials, bioengineering and others. The possibilities for achieving territorial unity of the production and social infrastructure increase.

Growing diversification of production has special significance to the formation of concerns. The world experience of the last decades shows that in many cases diversification is the main factor of effective and interconnected use of resources, of greater stability of the financial status of large economic organizations, and of profitable long-term investments.

This is why it would be suitable to supplement the examination of the evolving practice and the general laws of creation of large organizational structures in our economy in the reform's transitional stage with an analysis of world trends in this area and with an objective investigation of the experience of setting up and operating modern corporative economic systems.

### Rights, Responsibilities of Enterprises in Transition Period

904A0292B Moscow *EKONOMIKA I ZHIZN* in Russian No 14, Apr 90 p 9

[Article by Doctor of Economic Sciences A. Komin: "Freedom and Necessity in the Economy"]

[Text] Can the economic freedom of enterprises and organizations be absolute and unlimited? Society has never known such an economic system. Economic independence is always accompanied by economic responsibility for the results of activity, which takes the form of the necessity for organizing activity within a certain framework. Our authoritarian administrative system was precisely what played the role of such organizational compulsion. Having dismantled it, we deprived ourselves of an important component of the organization of the economy's control. Following three years of continuous reorganizations and adoption of the Law on the Enterprise, today's ministries have lost all real influence upon the work of enterprises. Production plans are being drawn up by the enterprises themselves, while the plan for the country's economic and social development is being determined by the USSR Gosplan on the basis of the plans of the enterprises.

This is now the third year of this practice, which shows that the enterprises are adopting lower plans for the principal indicators (production volume and profit) in comparison with the control figures submitted by Gosplan to the ministries and enterprises. Naturally, having lost control over production, Gosplan and Gosnab are continually losing control over the distribution of material and technical resources as well. Instability of material supply is yet another negative phenomenon being endured by the economy in the present stage, one which has fallen under increasingly larger criticism from the enterprises.

And so, in three years our economic restructuring has traveled a one-way street of destruction of the old forms of management, without corresponding creation of new forms that would regulate the organization of social production. Economic methods are implied primarily. It might be said of course that the laws on the enterprise, on cooperatives and leasing, reorganization of the ministries and introduction of the mechanism of full cost accounting are all elements of the economy's management. This is so. But the fact is that they are not decisive. They can function effectively only in the conditions of a balanced market; on their own, they are unable to surmount the profound disproportions and ensure creation of such a market.

The market is a constantly maintained balance of commodity and monetary relations. We now have an extremely deep imbalance in this area. Radical reform of the system of prices, wages and other of the population's monetary income and of the financial system are necessary. Much has already been said about this. It is now clear that reform of price setting practices should reduce

to fundamental reexamination of the entire system of prices and rates in the country—wholesale, purchase, retail, and rates for services. Reform of wages and rates for services should essentially proceed together with the reform of the price system, so as to prevent a decrease in the population's standard of living, and chiefly that of the low-paid strata, retired individuals and students. And the financial reform should reduce the budget deficit and put money circulation in order.

All of these measures must be implemented centrally. The question as to the manner in which we should join the market and enter into market relations is a fundamental one. Under our conditions it is very important for the processes of the market's creation not to go beyond state control. Meaning that during the time of implementation of these measures, state management of economic processes must persist, and rather rigidly, both at the macro level and at the level of enterprises and organizations. Otherwise anarchic processes and further growth of the imbalance would be unavoidable, ultimately moving the economy backward instead of leading it out of its crisis. Economic methods of management may be introduced only in concert with creation of a balanced market.

The idea that an era of economic freedom, of actions in accordance with the principle "I live as I wish," would begin with introduction of market conditions of economic control is totally wrong. The market dictates its terms harshly, and it is the consumer that rules. But inasmuch as the consumer and the producer are often represented by the same person in the economy, responsibility and respect are the basic principles of organizing all economic activity. If we were to assess our present situation, then from this point of view we are hardly ready for the demands of a market economy, since it will be harsher, even in comparison with the authoritarian system of administration.

Over many long years this system also generated the corresponding administrators, adapted to overinsurance and to formal fulfillment of assignments and directives of the plan. Under the conditions of planned, stable leadership, a kind of symbiosis established itself between higher and lower bodies (Gosplan, the ministries, the enterprises, economic organizations), united in the observance of unspoken rules of behavior and definitions of mutual interests. Enterprise executives learned quite well to conceal their reserves and to defend rather easy plans, while ministry executives found themselves lacking the power to impose their will. Moreover they themselves were under pressure from Gosplan and the government, in relation to which they behaved in the same manner as enterprise executives related to them. Drawing up the plan essentially boiled down at all levels to defending one's interests, to opposition and to haggling over the real plan. On the other hand resources for target fulfillment demanded in submitted drafts were always much greater, sometimes by a factor of 1.5 and even 2. This pertained primarily to capital investments. The requests of the ministries, departments and the

councils of ministers of the union republics always exceeded the possibilities of the state budget by a factor of two.

All of this created a situation of mutual irresponsibility and mutual guarantee. Submitting inflated demands for resources, each business executive prepared an "alibi" for himself in the event of failure of the plan. And the higher units of the economy's control, which were drawn into the practice of inflated demands, assumed the path of unjustifiably lowering resource support to the plans and dispersal of assets, primarily of capital investments.

In this way a system in which it was difficult to find anyone responsible for particular failures in the economy gradually came into being. Moreover in the event that the plan was not fulfilled, an enterprise executive could always turn to the ministry for an adjustment in the plans or for other material and financial assistance. Plan adjustments in the fourth quarter transformed into commonplace, universal phenomena, which ultimately made implementation of the corresponding government decrees prohibiting them necessary.

All of this suggests that the authoritarian economic system gradually transformed into a feeble and loose mechanism incapable of imposing strong and certain sanctions upon poor workers. Therefore all talk of a supposedly rigid planning system is an exaggeration, a fabrication. We simply did not have such a system in the last decades, which is why the economy began marching in place.

What do we have now as a result? With the removal of pressure from above, everyone came to realize that they could work according to the principle of doing as one pleases. All plan-based regulation, including state orders, is felt by the enterprises to be a transgression upon their rights. A paradoxical situation has evolved, in which the old management system is undergoing active and accelerated dismantling while a new planned market system has not yet been created. Everyone wants to be rid of state interference and receive absolute freedom in their actions. But a system in which only rights are granted unilaterally, without obligations, is not viable. Such an economic system is destined to stagnation and instability, without prospects for self-improvement. Only an economy in which free choice functions within the limits of certain obligations and necessities, and in which the latter prevail over the former, is viable.

A transition to a market economy means establishing an economic system of the economy's control that is more rigid than even the planned system. Market principles and requirements are economically more "merciless," and they will require business executives to display initiative and to take a more flexible and, in certain cases, a risky approach to the problems of operation of the enterprises, in order that they might attain their high end results. The principle of distribution according to one's labor manifests itself more consistently here than

under the old authoritarian administrative system, which inevitably engenders leveling practices.

Some think that the market mechanism of control will minimize the state's interference in the economy. The experience of the development of leading capitalist countries does not confirm this. State interference into the processes of the market economy actually intensifies. All of this is done by way of economic policy enacted through the bank system and through taxes, and through adoption of state programs in the areas of technical progress, ecology and other spheres of social science. A stable economy cannot function successfully under market conditions without rigid regulation of the dynamics of prices and wages.

If we analyze the road we have traveled over the last two decades in the area of improving the economic mechanism, we would see that we proceeded one-sidedly, developing only one side—we tried to expand the economic rights of the enterprises and grant additional rights primarily in regard to wages. It may be said today that these additional stimuli were poorly coordinated with the results of production. Every economy functions and develops on the basis of a combination of two basic principles—stimuli and compulsion. It is difficult to express a preference for one or the other; their significance changes depending on the specific objective circumstances of economic development. These two principles are patently evident in a market economy, beginning with the wage system, with the desire to earn more, and finally to grow rich, and ending with the threat of finding oneself without employment and with minimum means of existence, or even with a total lack of them.

Existence and interaction of these two principles is also inevitable in a socialist economy. They are embodied in universally known tenets: "to each according to one's labor" and "he who does not work, does not eat." As far as the first tenet is concerned, we refer to it often, while the latter we have forgotten, feeling it to be pertinent only to the overthrown exploiting classes. But this is not so. "He who does not work, does not eat" also pertains completely to modern conditions as well. Before, the functions of compulsion were assigned to the entire authoritarian administrative system, and they were exercised by way of it. Today we must include these functions as an inherent part in the new economic system of management. We need to create a so-called rigid economy, one which would not only stimulate but also compel people to work well, and which would reinforce labor discipline, the attitude toward labor, and its quality and results. The new mechanism must effect a turn in the economic consciousness of the population from parasitism and economic dependence to the economic responsibility of everyone. For decades we have taught the people to live in response to commands, and we have guaranteed a certain level of material blessings and services without reinforcing these guarantees with demands for labor. This is why plans were often not fulfilled, and promises often led to disappointment.

The results of this disappointment manifest themselves especially clearly today, in a time of perestroika. Many are asking why their aspirations were not met. The attempt to bill the government for unfulfilled promises is graphically evident. It has become fashionable to exaggerate the misfortune and belittle the standard of living, going as far as asserting that our country is almost in one of the last places in relation to this indicator. Recall the debate reflected in the two phrases spoken by different people: "We are living in the manner in which we are working" and "We are living in the manner in which we are steering." Both phrases are correct. But none of this is of any help. The key to solving the problem of leading the economy out of its crisis lies only in the attitude toward work, in production organization, in increasing its effectiveness, and primarily due to labor itself, intensifying labor and increasing productivity, and tightening labor discipline. Everyone now understands this.

Therefore what we need to develop in the economic mechanism of control is not only the material stimuli but also the elements of economic compulsion. For the moment economic science is ignoring this problem. We are still subject to the pressure of the previously developed postulates, and at first glance combining humane socialism with economic compulsion seems impossible. But it would be impossible to develop a healthy economy without implementing this principle.

This problem requires deep analysis. Of course, we can do without unemployment, but we must put an end to the artificial shortage of manpower in the city. Whatever happens, we will still have to establish an order under which anyone who wishes to earn well will have to stay at his work station and give entirely of himself to the work for a whole 8-hour work day.

We will not be able to solve the problem of the rural areas and food until such time that we create conditions under which the peasant ceases to think about moving to the city as the sole means of improving his material welfare. Many problems of this sort have come to fruition. To solve them, we need special state economic programs, which should fundamentally restructure all of our economic system.

#### Organization of Some Concerns Compared to Ministries

904A0349A Moscow *KHOZYAYSTVO I PRAVO* in Russian No 4, Apr 90 pp 23-31

[Article by candidates of economic sciences L. Bondar and M. Bokareva: "Ministerial Concern"]

[Text] Various integrated forms of enterprises have recently been created with increasing energy at the primary level—interbranch scientific and technical complexes, interbranch trade and industrial complexes, territorial interbranch associations, concerns, associations, engineering centers, cooperatives, employee-owned enterprises, mixed enterprises in which foreign companies participate, and so on.

There are 59 concerns, 80 consortiums, 27 joint-stock companies and 69 production associations<sup>1</sup> functioning in the country today, and dozens of concerns are undergoing formation. Concurrently, ways of restructuring the upper level of administration, of transforming the sector ministries into new organizational and structural forms, are being sought. But at the same time there is practically no unified legal basis for regulating this process.

And yet, creation of different forms of associations is doubtlessly one of the processes that must receive legal support. From our point of view, a law regulating integration processes in the primary level of the economy could become one of the components of the corresponding legislative base.

What are the newly formed concerns and associations like, and what trends have been noted in integration processes?

A sizable part of the concerns and associations reported on by the USSR State Committee for Statistics are probably simply sector production associations and scientific-production associations that have assumed "fashionable names."

Completely different structures sometimes conceal themselves beneath the guise of a concern or an association. In some cases, interbranch state associations such as Tekhnokhim and Energomash are said to be concerns. They are unique not only in that the enterprises included in them have left the ministries (they are no longer subordinated to them), but also in the fact that these are truly new structural formations that bring together enterprises which had not possessed organizational unity previously. It was on the basis of these same principles that the Kvantemp Interbranch State Association (Concern) was created.

Other organizational approaches were used to form concerns such as Norilskiy Nikel, Motovekon and Avtrokon. They are based on the corresponding subsectors of the USSR Ministry of Metallurgy and the USSR Ministry of Automotive and Agricultural Machine Building.

Thus what makes these concerns fundamentally different from structures of the first group is preliminary organizational unification of the enterprises included in their composition within a subsector framework.

And finally there is one more variant—the former USSR Ministry of the Gas Industry is now concealed under the guise of a concern, while the USSR Ministry of Mineral Fertilizers has been transformed into the Agrokhim Association. Republic ministries of light industry and consumer services have been renamed concerns in a number of republics.

It would seem that these transformations could only have been welcomed. But are they solving the problem of restructuring the system of sector administration on a nationwide scale?

The questions that naturally arise are these: What in fact is the nature of the concerns and associations created in place of the former all-union production associations, state production associations and ministries? Are we in this case not distorting the classical, traditional concept of the concern, defined as an organizational form of a production and economic complex—one having a complex, multilevel structure but still existing as the primary element of organization of production and administration? How valid is it to use the same names—concern, association etc.—in application to each of the variants of structural formations examined above? And finally, will fundamental restructuring of administrative structures, which is so necessary to our economy, not transform into another "sign-changing" campaign of the sort we have witnessed on several occasions previously? The possibility of this is confirmed by an analysis of the functions of the newly formed structures.

In the same way that a ministry used to be responsible for supplying gas to the whole country and distributing state orders among its enterprises, the Gazprom Concern is responsible for doing so now. The following justification is offered for this: the sector's enterprises are scattered over the entire country, gas is shipped through pipes of a unified system, its consumption is seasonally and regionally irregular, and many enterprises lack a complete production cycle. In this connection, the enterprises cannot function under full cost accounting conditions, and centralized control of the sector is required, though on a "democratic basis" in distinction from the practices of the former ministry. A significant fraction of the enterprises included in the concern (ones directly supporting the work of the USSR's unified gas system) are deprived of their independence. They cannot leave the concern, they must fulfill the plan handed down to them, and relations between them will be organized on the basis of accounting prices set by the concern. Their profit is centralized and distributed for them.

Such transformations are essentially not a step forward toward a market economy, but a hop backward, to a more rigid command system. While the ministry used to be viewed for practical purposes as a single complex (in terms of planning and supply practices) but the enterprises were formerly recognized as being independent, now the idea of a command system has achieved its full embodiment in Gazprom.

A. Kozhevnikov, deputy chairman of the newly formed Agrokhim Association, asserts that it differs fundamentally from the former ministry<sup>2</sup>. But it is hard to agree with this. It has essentially retained, you see, both the basic functions of the former ministry (despite the attempt to impart new forms to them) and in many ways the mechanism of their realization.

Enterprises included in the Agrokhim Association retain economic independence. But in this case the association is responsible for satisfying the country's demand for mineral fertilizers; its functions include drawing up the balances and plans for distributing products in the

national economy as a whole, coordinating the activities of producing enterprises, and providing scientific, technological and methodological guidance to agriculture's chemicalization. Being the sole possessor of funds, the association (formerly the ministry) distributes allocations for capital construction among the units included within it, it appropriates resources centrally, and on coordination with the corresponding trade union organ the association chairman sets the indicators that place the associations and enterprises into particular wage groups. Here as well, the functions of the sector ministry are for practical purposes retained.

When an association is formed, much also remains the same in regard to the organizational structure of the ministry's central apparatus, which was introduced at the time of its transition on 1 January 1988 to a two-level system of control.

The procedure for deducting part of the profit of enterprises into centralized ministry funds, which is now viewed from the association's standpoint as a progressive phenomenon inasmuch as it is supposedly implemented on a voluntary basis, and which has been subjected to such severe criticism both from scientists and from practical workers, is undergoing a strange metamorphosis. The only innovation is that associates of the apparatus have received a substantial wage increase and have been relieved of the fear of a manpower cut, and that the association's creation was made to appear to be a democratic and a voluntary procedure: A board chaired by the former ministry was elected by a founders' congress. However, these rather formal attributes making the association different from the ministry, the significance of which was emphasized so greatly by Agrokhim's deputy chairman, are hardly of any importance.

What appears most dangerous to us is the fact that the existing legislation on enterprises formally extends to the Agrokhim Association, to the Gazprom Concern and to other formations of this sort.

Thus while in former times the ministry, which was the administrative superstructure of state control, could account for nationwide interests and the interests of the consumer at least to some extent, having become the executive cost-accounting apparatus of a sectorwide complex that is maintained by enterprises of this complex, from an objective standpoint it will now promote only the interests of the producers.

The negative consequences of the operation of such structures have already begun revealing themselves in practical terms. As an example the relationships between Agrokhim and Tekhnokhim are extremely paradoxical from a legal point of view. On one hand, Agrokhim is a mighty economic monopoly, while on the other it is still a ministerial department. Extracting a direct benefit from its status as an association at the primary level, Agrokhim is at the same time reluctant to give up the administrative levers of a higher organ. Thus Agrokhim

distributes state orders and allocates resources at its own discretion to enterprises which had been taken out of its composition back in "ministerial times" and placed in Tekhnokhim, even though in formal status Agrokhim and Tekhnokhim are equal associations at the primary level. In other words, the Agrokhim Association brought together the worst characteristics of economic and bureaucratic monopoly.

The desire of ministry workers to transform the sector ministry, which had become an odious object, into a more popular structural form offering certain prospects for survival and development is fully understandable and explainable.

But it would be pertinent here to present the opinion of practical workers who have to deal directly in their work with the results of these organizational and structural transformations. Thus Doctor of Economic Sciences P. Stukolov, an administration chief of the USSR Ministry of Electronics Industry, writes: "The misfortune is that not one of our experiments has ever been negative.... And now it is a time for experimentation as well. A proposal is on the floor: Let's create concerns in place of ministries. But what will this change in principle? Nothing. And yet a concern has broader rights. The Ministry of Finance will not regulate its manpower schedule. The enterprises will pay the cost of maintaining the apparatus.... This will invariably lead to higher cost of products, swelling of the apparatus and growth of wages."<sup>3</sup> In solid agreement with his assessment of "ministerial concerns" is V. Lukyanenko, former minister of petroleum and gas machine building and now once again the general director of the Sumy Machine Building Association imeni Frunze: "I am not sure that concerns are needed in all sectors indiscriminately. Sometimes they transform into just another administrative level. Take for example the Gazprom Concern. It has neither money, nor accurate information on demand. We are dealing directly with the associations within its composition."<sup>4</sup>

This season's "change in signs," which is occurring in a time when negative processes are growing in the economy, is not just simply useless—it is also harmful, inasmuch as it reduces perestroika to bureaucratic games, it introduces an imbalance into the control system, and it discredits effective organizational and structural forms, which could only produce a negative impact in such a distorted situation. Moreover such actions embody serious methodological, economic and legal contradictions right from the start. Having declared the ministry to be an organ of state control—that is, purely a superstructure, people are attempting to impart to it the form of a production unit (concern) or a public organization (association), which aggravates the duality of its position.

We also need to dwell on one other aspect of this problem. The structures listed above are large monopolies, which allows them to act destructively upon the consumer market, and to easily crush their few competitors.

Thus the little batteries produced by Kvantemp have disappeared practically completely from store shelves. Energomash's suppression of Atommash as one of its competitors was reported in the press.

And so, we can see from the above that the freedom to form new structures often leads to anarchy in reality. And yet the process of forming concerns, associations and other similar structures is just beginning to gather momentum. According to calculations of the USSR Academy of Sciences Economics Institute, the number of concerns in our country must be raised to 350-400. The operating experience of the first concerns shows that the functions of sector ministries cannot be changed automatically through extensive formation of interbranch state associations (concerns) and through a transition to extradepartmental structures. This is precisely where we need purposeful state regulation of the process of "fitting" new structures into the existing control system. Otherwise it is entirely probable that the result will be diametrically opposite to that anticipated: The new structures will transform into "miniministries," into administrative organs of control.

From our point of view there is a certain lack of thought being given to implementing structural policy. On one hand, there can be no doubt as to the correctness of the line selected by the government toward abolishing departmental monopoly, creating associations on a voluntary basis and utilizing new, highly effective organizational forms. But on the other hand this effort was not supported by the necessary standards and legal statutes defining the mechanism of interaction of the new structures with the highest level of control, with consumers, with suppliers and with organs of material and equipment supply.

On 21 October 1989 L. Abalkin, chairman of the USSR Council of Ministers State Commission on Economic Reform, approved the Recommendations on Creating Associations and Other Forms of Voluntary Associations of Socialist Enterprises. Given all of the importance of this document, from our point of view it has a number of serious shortcomings. First of all, the document has the nature of recommendations: it is not binding, while integration processes are in need of legal regulation, and of establishment of a clear procedure of their implementation and of the rules of behavior of all interested subjects of mutual relationships (enterprises, ministries and departments, and local administrative organs). Second, the document utilizes the traditional approach based on rigid definition of each particular form—the concern, the interbranch state association, the association and the consortium. When differences are determined between them, the accent is made on "internal" relations in the given structure (except in the case of the

principle of extradepartmentalism), though from the standpoint of state regulation of the processes of creating associations, external ties (external in relation to the structure under consideration) and the place of the given complex in the country's national economy acquire priority significance.

In the meantime, the internal relations of enterprises, organizations and associations existing within the framework of a certain integrated structure (the level of their production, economic and legal independence, the degree to which control functions and financial resources are centralized, etc.) must be determined by the charter of the association or by other documents approved by a constituent assembly. In this connection it would seem unsuitable to establish a specific structural form for the following reasons. Differences between the "classical" trust, the concern and the corporation are very insignificant. Differences between the forms of associations in our country—the production association, the scientific-production association, the state production association, the interbranch state association etc.—are also extremely arbitrary and artificial. Drawing such distinctions between these organizations has no significance to their practical activity, inasmuch as the diversity of specific forms of these associations may be infinitely large. Several classification characteristics (criteria) may be combined in one association (for example a territorial interbranch association may have the characteristics of territorial proximity, an interbranch nature etc.).

There is no need for isolating, and establishing as criteria, principles of the structure of a particular integrated structure such as technological unity, degree of development of cooperative ties, territorial proximity and so on. If enterprises feel it suitable to combine, they must do so irrespective of common technological and territorial characteristics (on the condition that they receive permission from the organ monitoring fulfillment of anti-monopoly requirements).

Because it is impossible to foresee the entire diversity of specific variants and conditions of forming a particular type of association, competent organs will have to make special decisions and grant "variances," which contradicts the requirements of proper legal regulation.

Rigid determination and detailed regulation of certain types of associations will constrain the search for new, effective forms of integration, hold back the initiative and independence of the enterprises, and lead to formal tailoring of practical work to an artificially prescribed model imposed from above.

Development of specific statutes concerning production associations, scientific-production associations, interbranch state associations, interbranch scientific and technical complexes, territorial interbranch associations, production-territorial associations and so on will inevitably fall behind the actual creation of these forms, which will significantly complicate both formation of the associations and surveillance of their operations.

Considering this, we need legislative regulation not of specific structures but of the integration processes at the primary level, having in mind establishment of a general procedure (general rules) for creating and liquidating associations. It would be desirable for the state to proceed in two directions in this area:

- drawing up the general requirements, rules and conditions of integrating the production and economic activities of enterprises;
- monitoring the correctness and lawfulness of integration processes.

The way these processes are regulated depends chiefly on the following factors: the subordination of the enterprises and associations, the forms of property ownership, and the level of integration of ties between the subjects desiring unification.

Irrespective of the subordination of enterprises and the form of property ownership, integrated forms may differ depending on their level (on the intensity of ties between enterprises and organizations). We may have:

- first, agreements between enterprises and organizations that retain their legal and economic independence. These agreements, which do not foresee joint activities, may be signed between enterprises of one sector or by territorially close enterprises in order to implement an agreed-upon policy concerning economic activity, to coordinate scientific research and experimental design work, to publicize advanced forms and methods of production and administration, and to protect their legal rights and interests. These associations may possess a central executive organ and a common fund organized out of voluntary deductions from the enterprises. The decisions of this organ have the nature of recommendations, and they are not binding upon its members. In terms of their position, such associations of enterprises (unions, associations) are a type of public organization. They are not unified production and economic structures, and they cannot be categorized as being at the primary level of administration;

- second, agreements foreseeing partial unification of the activities of independent enterprises and organizations within a unit such as a consortium (an enterprise based on proportionate participation). This is done by creating a joint venture in which monetary, raw material and labor resources are combined, or a joint-stock company, for the purposes of jointly working on a certain scientific development, producing a particular product, erecting facilities of the social or production infrastructure etc. The newly formed enterprise must possess the rights of a legal person, but it must be subordinated to the founding enterprises (with restrictions imposed on the rights to select a director, to drop out from subordination to the founders, to accept state orders on its own, to engage in foreign economic activities and so on);

—third, an association of enterprises organized for joint production and economic activity. The degree of its independence may vary within rather wide limits—from an association such as a trust, in which the enterprises lose their economic and legal independence completely, to an association such as a concern, in which enterprises and organizations enjoy different degrees of economic independence.

Free, voluntary creation of associations and development of new integrated forms at the primary level are possible only if the corresponding changes are made in the existing control system, and chiefly in the economic mechanism, and if a real transition is made from administrative to economic methods of control.

#### Footnotes

1. "Report of the USSR State Committee for Statistics," TRUD, 29 October 1989.
2. See Kozhevnikov, A., "Equality and Partnership," KHOZYAYSTVO I PRAVO, No [number illegible; 2 or 3], 1990.
3. EKO, No 8, 1989, p 40.
4. IZVESTIYA, No 47, 15 February 1990.

COPYRIGHT: Izdatelstvo "Ekonomika", "Khozyaystvo i pravo", 1990

## INVESTMENT, PRICES, BUDGET, FINANCE

### Goskomtsen, AUCCTU Chairmen on Market, Prices, Social Safeguards

#### Goskomtsen Head

90A0447A Moscow EKONOMIKA I ZHIZN in Russian  
No 25, Jun 90 p 4

[Interview with V. K. Senchagov, chairman, USSR State Committee for Prices, by editors of EKONOMIKA I ZHIZN: "Market—Prices—Social Safeguards"]

[Text] In previous issues of this weekly we discussed a get-together between members of this newspaper's editorial staff, contributing writers, and Moscow workers, which took place at the end of May in the Hall of Columns at the House of Trade Unions. The get-together dealt with problems of transition to a market economy and the degree to which people are socially protected. What is the position of the All-Union Central Council of Trade Unions [AUCCTU] on the transition to a market economy? Why must they raise prices and begin with bread and bakery goods? How can we protect workers against unemployment and inflation—the inevitable companions of a market economy? We are publishing the answers of participants in this meeting—V.K. Senchagov,

chairman of the USSR State Committee on Prices, and G.I. Yanayev, chairman of the AUCCTU—to these and other questions.

[Question] Why must prices necessarily be raised upon transitioning to a market economy? Is this absolutely essential?

[Senchagov] The present system of prices has long since become obsolete. Prices do not correspond to production costs and fail to create conditions for effective expanded reproduction. On the other hand our prices are without relation to world prices. Their structure is distorted. Prices on products of the primary extractive industries, for example, are below world prices by a factor of two to three, while on the other hand prices on products of the machine building industry and light industry are as a rule higher. Prices on foodstuffs are lower than average world prices by a factor of two to three. Of course, one must take the ruble's exchange rate into consideration when making such a comparison. Otherwise, calculations will be skewed. The people in agriculture claim, for example, that our grain procurement prices are far below world market prices. But one must bear in mind that artificially low prices have also been established, for example, on fuels: natural gas, oil, and coal. For this reason the notion that our procurement prices are artificially low is erroneous. In actual fact, they are currently two to three times world market prices.

Distortions in profitability of branches and enterprises are a consequence of deformation of prices. For example, the overall fuel and energy group has a profitability of 4-5 percent, while the machine building industry has a profitability of 15-20 percent or higher. For this reason, some enterprises have surplus profit for expanded reproduction, while others do not. Hence, complaints by the oil industry people, for example, of lack of equal-value exchange. While selling oil at low prices, at the same time they must overpay for machinery and equipment. For this reason I feel that our primary extractive industries are in an unequal position in comparison with others, especially if one considers that their products are capable of competing in the world market.

Of course we should not blindly copy the world price system. But we should certainly take world price relationships into consideration in our pricing policy.

[Question] In market conditions, will price be entirely determined by supply and demand?

[Senchagov] There are two approaches in establishing prices. One of them is grounded on the position that price in market conditions should reflect supply and demand. Therefore, they claim that this factor should be the main element considered, and that all prices must be established in conformity with supply and demand. What comment can one make? Such an approach would be justified with a developed market. But our economy contains extreme distortions. Suffice it to quote a few figures. Unmet consumer demand is estimated at 165

billion rubles; the budget deficit was running 90 billion rubles at the beginning of this year, and the limit for adding to the money supply for this year is 10 billion rubles. In addition, considerable net cash surplus has accumulated in enterprise accounts. The total is estimated at 70-80 billion rubles. As we can see, demand greatly exceeds supply. If in this situation we were to shift to balance-establishing prices, prices could rise severalfold. Calculations indicate that in such a case prices on coal, oil, and natural gas would increase by a factor of 4-5. This would cause a sharp rise in prices along the entire chain, right down to the retail level. But the "safety factor" of the above-mentioned machine building enterprises as regards profitability is not very substantial. Many of them would immediately face a financial crisis; in simpler terms, they would go bankrupt. This could apply to one out of every three enterprises. Consequently, the employment problem would become aggravated, as well as many other problems. We simply cannot take such "shock therapy." For this reason I favor another approach to pricing, a more flexible approach, which is more adapted to the present situation. It proceeds from the position that price should make expenditures commensurate with results; prices must gradually be adjusted, taking into account the current excessive money supply.

[Question] Will the value of worker savings not plunge with transition to a market economy and a rise in prices?

[Senchagov] Today the public has faith in the Savings Bank, and that is a very good thing, because if confidence starts to decline, cash savings in the bank—and right now total bank savings are approaching 400 billion rubles—will "pour out" into the consumer market and literally overwhelm it. For this reason we must take steps to protect the public's savings from declining in value. And any talk about an alleged future freezing of savings accounts, not to mention seizure of personal savings, is entirely inappropriate.

On the contrary, it is essential to increase interest paid by the Savings Bank on personal savings. I feel that we should be talking about increasing interest on savings accounts from a level of 2-3 percent to 6-7 percent. This would make it possible to compensate for inflation to some degree and thus to build confidence in people that they will not be making a mistake by putting money into a savings account.

[Question] Up until the present time, the low price of bread was viewed as one of our social achievements, a guarantee against poverty. What is the reason for the proposal that raising prices begin with bread and other baked goods?

[Senchagov] There is presently no more vital issue, and I am not exaggerating, than the issue of the price of bread. It has always been of great importance for the economy and for the people. And this matter should have been resolved long ago. The fact is that in the past we believed

that cheap bread was the foundation for people's material welfare. And this view was justified. Living standards were fairly low. But considerable time has passed since then. Wages have increased appreciably for all worker categories. Bread production costs have also increased, and yet the price of bread has remained virtually unchanged. This has resulted in a distortion between people's income and the price of bread. We have brought things to the point where due to the fact that bread is so cheap, people have ceased respecting the peasant's labor and, consequently, their own labor as well. People throw bread out, use it to feed livestock, and boys sometimes even play soccer with a loaf of bread. Two million tons of bread are thrown out each year, and an additional four million tons are used to feed livestock. Prices must be raised in order to instill the attitude that bread is a commodity of value. Another reason to raise prices is to provide incentive to produce bread. The government has made the decision to raise procurement prices on grain this year. Bread, however, not grain, is the end product. The low retail price on bread made it impossible correctly to determine the costs of bakery enterprises, which were sold raw materials not at procurement prices but at so-called accounting prices, which are lower. The difference was subsidized from the budget. Naturally, the baking industry had no sense of the actual cost of raw materials and supplies. Efficient utilization of valuable raw materials and quality of the baked bread product essentially were not reflected in the results of processing enterprise operations. The profitability of some did not even exceed two percent. Raising retail prices readjusts things. Profitability will now increase to 15 percent. The baking industry will be able to earn the requisite funds for renewal and renovation of fixed assets. And, incidentally, this is a very acute problem. Total physical depreciation of assets in this industry runs 30 percent for the nation as a whole and is even as high as 60 percent for Moscow. There are some enterprises which have not had any fixed assets renewal since the 1930's.

[Question] Why was it decided to triple the price of bread rather than doubling it, for example, or increasing it by a factor of 2.5?

[Senchagov] A reasonable question. Calculations indicate that a lower bread price increase than that proposed by the government will fail to return adequate profitability to enterprises along the entire chain—from growing the grain to selling the bread to the public. Tripling the price is that minimum which, as I have already stated, will ensure normal conditions for expanded reproduction and will make it possible to provide incentive for workforces to produce high-quality bread.

[Question] Will it not happen that, with an increase in wholesale prices, it will become disadvantageous for enterprises to increase production volume?

[Senchagov] The point is that raising wholesale prices does not mean a corresponding increase in profit for

industry, especially the processing branches. The overwhelming portion of this increase will only compensate for additional expenditures by the enterprises connected with an increase in prices on fuel and energy, ore, timber, etc., increase in rates charged, social insurance contributions, contributions for geological exploration and prospecting, introduction of a land payment and payment for discharge into the atmosphere, etc. At the same time a 40-45 percent increase in prices on capital goods and a 50-70 percent rise in the cost of material resources, with an approximately 20-25 percent increase in profit for industry as a whole, will genuinely limit capital spending requirements and capability to accumulate excessive stocks.

On the other hand, considerably higher prices on fuel-energy and material resources ensure economic conditions for extensive efforts in the area of resource conservation and decreasing specific metals and energy consumption in national income. The level of new prices enables enterprises efficiently to utilize resource-conserving technologies and eliminates the existing gap between national interest and economic-accountability interest in adopting such technologies.

[Question] What sense does it make to raise prices if there will be full compensation, as is to be done, for example, on food products? Would it not be better to restrict price increases to that portion where there will not be compensation?

[Senchagov] Raising retail prices should not be seen as an end in itself. We are talking not only about raising retail prices on foodstuffs but also about a comprehensive reform and bringing prices into conformity with socially essential outlays. This will ensure economic-accountability conditions for the operation of industrial enterprises, greater variety and improved quality of the goods they produce, and will create normal preconditions for a shift to market relations in this country.

Raising prices on food products should increase incentive to expand food production by subsidiary farm operations of enterprises and organizations, as well as by private citizens on individual farming plots, on private orchard and vegetable garden plots, etc.

In addition, the new food prices will promote development of a thrifty attitude toward food products and the forming of a more efficient structure of consumption.

[Question] Will the price control mechanism change in a market economy?

[Senchagov] Absolutely. While in the past the price of almost every item was controlled and prices were determined in a centralized manner, in a market economy direct establishment of prices is sharply limited. In countries with a market economy, the domain of such pricing as a rule covers from 10 to 30 percent of overall output volume. In Japan, for example, 18 percent of output volume is controlled in one manner or another. The Japanese legislature sets the price on rice.

In this country for quite some time to come the state will set prices on a certain range of foodstuffs and manufactured goods, as well as rail freight rates, rates for electricity and heating. Another portion will be regulated indirectly by the state, such as by setting an upper limit. For agriculture, the state may also set a lower limit, in order to provide incentive to produce a given item.

The government program prescribes that during the initial stage of development of market relations, 55-60 percent of prices will be list prices, 25-30 percent will be maximum prices, and 10-15 percent will be free prices. Alongside government control of prices, control on the part of consumers and consumer societies will also be of considerable significance.

### AUCCTU Chairman

904A0447B Moscow EKONOMIKA I ZHIZN in Russian No 25, Jun 90 p 5

[Interview with G.I. Yanayev, chairman of the All-Union Central Council of Trade Unions [AUCCTU], by P. Korotkov and A. Matveyev: "The Market—Prices—Social Safeguards"]

[Text]

[Question] What is the position of the trade unions with respect to a market economy? Are you for it or against it?

[Yanayev] The position of the trade unions with respect to the switch to a market economy is often given incorrectly. There are two extremes. Some say that the trade unions allegedly want to "ruin" the market and are opposed to it. Therefore, many view our demand for a nationwide referendum as a "veiled" move aimed at hindering development of market relations. Others are attempting to accuse us of a conspiracy with the government, in that we fully support its program submitted to the USSR Supreme Soviet.

Neither approach corresponds to the true position of the trade unions. We understand that we cannot "pull out" our degenerating national economy without a switch to market relations. After all, we are now "rolling" downward on virtually all indicators. Therefore, the switch to a market economy is an objective necessity. We must move boldly toward new forms of organizing our national economy if we want to achieve successes in economics and in raising the people's standard of living.

The switch to a market economy is the most major social and economic change in the country's life since the 1917 revolution. If we recognize this, we must recognize the people's right to express their own opinion concerning this. That is why the trade unions advocate a nationwide referendum. In my view, references to the fact that we have no law on referendum do not hold water. A presidential decree or some one-time resolution by the USSR Supreme Soviet can be issued to hold the referendum. The people should give a conscious concurrence to the switch to a market economy. But to receive this

concurrence, we need to answer precisely and clearly the following questions: Do we need a market? What is the true condition of the economy today? What will introduction of a market economy give for the country's economy and for each of us after one or five years?

People must honestly be told about the negative consequences of switching to a market economy, too. The experience of other countries shows that it can result in a worsening of the living standards of working people: unemployment increases sharply; prices skyrocket; inflation turns into hyperinflation; and production volumes slow down. The social psychology of the Soviet person must also be taken into account. At the very least, for these 70 years he has been protected and provided a job.

[Question] The switch to a market economy entails price increases. Are there any alternatives?

[Yanayev] I believe that the price policy is the most conservative element in our economic relations. Of course, prices must be reviewed regularly, brought into accord with actual costs, and react to supply and demand. But I still think that we cannot reduce the market to prices alone. For example, as a trade union leader, I would gladly consider any alternative to switching to a market economy that does not involve raising prices. Unfortunately, I have not yet seen such serious alternatives. One cannot consider serious the proposal that we should sell out everything into private hands and then, they say, we can "pull ourselves" out of this situation. In this case, they are talking about something different—about replacing the political and economy system. We should not forget that in 1985 the people gave credit to perestroyka, since it was aimed at strengthening and renovating socialism, its democratization and humanization.

[Question] A whole package of laws must be passed to switch to a market economy. Are the trade unions involved in preparing them?

[Yanayev] Indeed, we need many laws, especially those which would provide social guarantees to the working people in conditions of the transition to a market economy. A law on employment, for example. We have submitted our draft of this law, which, incidentally, has undergone examination by experts of the International Organization of Labor. The trade unions proceed from the fact that the state is obliged to provide jobs for everyone who can and wants to work. As we see, this is a somewhat different approach here than in the USSR Constitution. We no longer pose the question that all able-bodied people must work. But if a person can and wants to work, then a job should be guaranteed. In any event, the state should provide a job which would ensure the worker the opportunity to feed himself and his family.

In addition, we believe that a law on indexation should be passed already at the fall session of the USSR Supreme Soviet. The trade unions have drawn up a draft of such a law and sent it to the government. Just like our

draft law on employment, it underwent expert examination by the International Organization of Labor. These laws will make it possible to protect workers from the elements of a market economy and from the "game" of retail prices.

[Question] How do the trade unions think a person can be protected from the inevitable unemployment in conditions of a market economy?

[Yanayev] First of all, I would like to object to those who believe and say that there are 10 million vacant jobs in the country today and that there is supposedly no need to worry about unemployment. One must be a realist. Unemployment is quite possible, but our task is to reduce it to a minimum and to soften the consequences. Further, the country must have an effective system of retraining the work force and goal-oriented employment programs for those who are released from enterprises and organizations. In principle, there is no tragedy that such a process takes place. This is objective in nature and is linked to the structural reorganization of the economy. But we must have a clear picture of when and how many people will be released so they can be placed in jobs in some sector of the economy. In particular, there are great prospects for development of cooperatives if they operate on a civilized basis, in equal conditions with all other forms of economic management. According to our calculations, we could employ about three million people in individual labor activity.

We also consider it necessary to consider a system of labor exchanges and creation of other institutions engaged in employment problems. But, of course, we cannot rule out the fact that people may be left without a job for some period of time. In this case, we must provide for a system of social assistance in the form of benefits. The mechanism of social safeguards in this case must be especially precisely regulated in accordance with international norms and standards.

[Question] Won't there be a drop in the standard of living of working people if prices are raised as planned? How can this be avoided?

[Yanayev] The trade unions favor providing for a series of measures to prevent a drop in the standard of living of working people in conditions of price increases. We must think up a system of compensation that is understandable to every person so that everyone can figure out how it works for himself. Will his standard of living drop or not? And we must do all this before the referendum. Otherwise, its results will be clear. The people will not support the switch to a market economy.

I would pay special attention to this. We want the group of goods that are included in the "shopping basket" to be used in determining the size of the income indexation of the population to be under the control of the state. They would include: bread and bakery products, meat and dairy products, sugar, vegetable oil... Certain consumer goods should also be included: clothing, footwear. And if prices increase for all these goods, the government

should compensate the workers for it. This is especially important during the transitional period to a market economy.

The subsistence minimum should also be established legislatively once a year. It should be calculated with participation of the trade unions and then made public. The minimum amount of any income—be it wages, a stipend, or pension—cannot be less than this subsistence minimum. This minimum should not be taxable. Of course, it should be adjusted to take into account price increases. This level will also serve as the lower limit of a person's income. The republics, regions, and enterprises can raise it, depending on the available funds.

It should not be thought that the social policy being pursued by the trade unions is aimed only at protecting the needy. A market economy should emancipate initiative and enterprise and stimulate the labor of each worker to the maximum extent. After all, the minimum degree of social protection that is guaranteed by the state will, in the final analysis, depend on effectiveness of labor.

Finally, when switching to a market economy, it is mandatory that we see that we maintain the proper working conditions and ecological safeguards. After all, it is not ruled out that, in the pursuit of high commercial results and profit, immediate interests and the desire to earn money at any price, including by reducing costs for labor safety, using old equipment, and ignoring ecological interests, may prevail.

[Question] What do you see as the role of trade unions in the new conditions? Will it change?

[Yanayev] Of course, it will change fundamentally. It will be necessary to create a largely new mechanism of safeguarding workers' interests. This is, after all, the main task of trade unions. The trade unions' relations with the government and sociopolitical structures will change fundamentally. Trade unions are independent organizations. The main law for them, in addition to the laws of the country, should be the will of the workers whose interests we should protect. Here I believe the principle of "constructive opposition" is a quite correct principle of relations with the government.

This is not just a matter of whether or not we support some or other decisions of the government. The main thing is that trade unions should have an independent position and defend it. And this position is determined by the interests of the people.

We need to elevate the role of collective contract. We believe that a special law on collective contract should be passed. Then a civilized form of settling labor conflicts will appear, making it possible to develop the social sphere and avoid strikes. There should also be agreements between the republic governments and the corresponding trade union center. Finally, there should be a general agreement between the government of the country and the AUCCTU on key social and economic

issues. And it should be concluded publicly before television cameras so the people know what the government wants and what the trade unions demand.

### Public Attitudes to Retail Price Hikes Studied

904A0333A Novosibirsk *EKONOMIKA I ORGANIZATSIIA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 4, Apr 90 pp 87-91

[Article by V.M. Rutgayer, doctor of economic sciences, A.V. Kinsburgskiy, candidate of philosophical sciences, All-Union Center for Public Opinion Research, and N.V. Kirichenko, USSR Gosplan Scientific Research Institute of Economics, Moscow: "Once More on Retail Price Reform: Opinion Poll Results"]

[Text] To assess the attitude of the population to a possible retail price reform with full compensation for the decline in the living standard, the VTsIOM [All-Union Center for Public Opinion Research] polled 2,000 people aged over 16 years in nine regions of the country in December 1988.

The following ideas were expressed concerning the reform: retail price subsidies reduce labor income. In 1965, they amounted to four kopeks for each ruble in the compensation fund, in 1975 to 10 kopeks, and in the late 1980s to 25 kopeks. Calculations show that by the end of the century they will make up some one third of the compensation fund. The fact that a large and growing share of their consumption is paid to workers in a form other than labor compensation reduces the importance of labor as a factor of production. As a result, there is an illusion that labor is cheap.

Meanwhile, the sale of alcoholic beverages fell, reducing funds available to increase subsidies. The latter continue to rise rapidly while the turnover tax grows only moderately. In addition, retail price subsidies are unequally distributed between cities and the countryside, among cities of different type and among republics.

Price reform must not be limited to raising prices and compensating consumers for the higher cost of living. We must restructure the entire economic system, create market relations, greatly redistribute resources in favor of the consumer sector, and increase considerably the level of demand satisfaction. On the other hand, reform itself is impossible if it is not supported by the population.

Numerous opponents of retail price reform claim that it will have an unfavorable impact on the standard of living and intensify uncontrolled price growth. Reform will also be harmful because it will preserves the same economic forms that cause production costs to rise while keeping prices constant with the help of subsidies from the state budget.

### Do We Need a Reform?

Overall, 25 percent of respondents supported reform and 75 percent opposed it. There would be more supporters if more goods were available and the consumer market was richer. Some 32 percent of respondents felt that the population would be more receptive to reform if the selection of meat and dairy products broadened considerably, 20 percent if the selection of other food products broadened considerably, and 10 percent if the quality of public catering improved.

The population would object less to reform if it were certain that it were truly democratic—for instance, conducted by popular referendum (37 percent of respondents), that socialist justice would be strengthened as a result (26 percent), and that military spending would be cut concurrently (13 percent). Respondents were opposed to discussions of reform behind closed doors.

The population has formed a stable view on the state measures in the area of retail prices in the past 20-30 years: they were carried out bureaucratically and undemocratically and hurt the material interests of workers. The aim of such actions was to find additional resources "at the expense of the people" for various programs, including military ones.

It is interesting that the share of those who would not agree to a price reform under any circumstances was minuscule: it amounted to one percent, or 23 persons out of the 2,000 respondents.

### Losses and Compensation

One of the components of the reform under consideration is price increases for meat and dairy products. To the question "Do you think that it is time to reform meat and dairy prices?" 21 percent of respondents replied "rather no than yes," 40 percent "absolutely not," and 21 percent could not answer this question. So high a share of negative answers is explained by the fact that price increases for this type of products affect vital interests of the bulk of the population. Indeed, 42 percent of respondents buy all their meat products in the state retail network, 20 percent purchase most of them there, and 27 percent some. For dairy products, the data was 63 percent, 13 percent and 14 percent, respectively. For both categories, the share of those who do not shop in the state retail trade network amounted to nine percent.

The poll showed that the population does not believe that the main principle of the reform will be achieved, i.e., that it will be possible to fully offset the decline in the standard of living stemming from retail price increases, especially on meat and dairy products. The question "Will the state fully and on a timely basis compensate the population for income losses related to the price increase?" received 15 percent of positive replies, five percent of negative replies, and 34 percent did not know.

The share of those who have formed an opinion about the main principle of the reform, i.e., full compensation of the losses of the population, is rather high, or some two thirds. Respondents listed what they thought were preferable forms of compensating for these losses: differentiated increases in wages, pensions, assistance payments and stipends (60 percent of respondents), reduction in prices for manufactured goods (37 percent), additional assistance payments to poor families (20 percent), reduction (or elimination) of taxes on salaries (16 percent), and equal assistance payments to each family member (10 percent).

Clearly, the population does not strongly support equal assistance payments to each family member, for they violate the differentiated approach to compensation measures. It is important that approximately one third of respondents think that price increases on food products must be necessarily accompanied by price decreases on manufactured goods. This in turn requires additional supplies of such goods.

It is telling that only one percent of respondents are convinced that "nothing can offset their losses" stemming from price increases.

#### Models of Reform

There are essentially two of them:

- centralized (for the entire USSR) retail price increases and a statewide decision on compensation measures; or
- decentralized retail price increases and compensation in the form of subsidies set independently by republics, krays and oblasts. In this case, students and retirees should still be compensated on a statewide basis.

As far as we know, only the large-scale model of reform has been worked on. Public opinion, however, prizes rather highly the other model, which takes regional characteristics into consideration. For instance, 53 percent of respondents preferred the former model, 47 percent preferred the latter one, and 23 percent could not choose. This is why it is necessary to work on the decentralized model in more detail.

Full compensation for losses suffered by the population as a result of retail price increases is possible only with respect to the population as a whole. Certain groups will suffer in any case. This refers to more or less affluent social groups and comparatively better trained workers.

What will you do if as a consequence of reform the financial situation of your family declines? The following answers were given to this question: 33 percent will try to find better paying work, 23 percent will most likely do nothing, 22 percent will seek additional employment, 9 percent will engage in individual labor activities, 8 percent will try their luck in cooperatives, 4 percent will move to the countryside, 2 percent will

move to another region where the cost of living is lower, and 1 percent will reduce the consumption of goods which go up in price. It is interesting that no one wanted to try earning more at his current job.

Despite full compensation, price increases on food products will inevitably reduce their consumption, as a result of price elasticities of demand. The people's desire to preserve their current consumption levels is natural. It may not be possible, however, without additional income.

COPYRIGHT: Izdatelstvo "Nauka" "Ekonomika i organizatsiya promyshlennogo proizvodstva", 1990.

#### Price Revision No Solution to Economic Problems

904A0293A Moscow EKONOMIKA I ZHIZN in  
Russian No 14, Apr 90 p 14

[Article by Yu. Borozdin, doctor of economic sciences: "Discussion Tribune: Prices, A View Without Illusions"]

[Text] It has become clear to everyone that radical economic reform can not advance successfully without a full overhaul of the existing price system. The government program for curing the economy calls for a gradual reform of all types of prices and tariffs, with new wholesale and purchasing prices to be introduced in 1991 and a new system of retail prices later. Apparently, price lists have mostly been drafted already. But will such reform produce expected results? Will it help create a truly new system of economic relations? This round of price revisions, as the ones before it, is being conducted without a broad scientific discussion of the principles of general reform in the price system.

Market relations are inconceivable without market prices balancing supply and demand. But we have no market yet. We are only discussing ways and stages of moving to it and, according to the government program for curing the economy, it will take at least five or six years. Now, with many elements of the administrative command management system still in place, a belated attempt is being made to revise all prices and tariffs at once, fully in line with the principles of that system.

The general approach to revising prices has not changed in any noticeable way: it is still based on the fixed-cost principle of price determination. True, it is now proposed to make consistent down-the-line revisions of price and tariff levels, from wholesale prices of industrial output of basic industries to retail prices of consumer goods and services. Since drafting hundreds of price lists is still the prerogative of price setting entities at all levels, the oft-criticized system of setting prices from behind the desk, serving the interests of producers, is retained. Those interests are primarily to make sure that the price covers actual costs of production, plus a profit large enough to allow the enterprise to make compulsory payments to the state budget and to contribute to the economic incentive fund.

What can be said about the dynamics of production costs? Their constant tendency to rise practically in all areas and sectors of production sets a distinct upward trend in price revisions. But the size of price increases will vary greatly, which will result not only from the change in production costs but from attempts to solve a number of related problems along the way. These include bringing domestic prices closer to world prices, especially for energy and many raw materials, incorporating the coefficient of usefulness into prices of machine building industry products, achieving price parity in economic transactions between industry and agriculture, and removing unjustified discrepancies between the level of retail prices of food and manufactured goods.

But is such reform at all possible now? What would be its likely socio-political result?

Price setting entities feel that it is necessary to raise wholesale prices of coal, gas, oil and heating fuel by a factor of two, on average; rates for electric power and heat and prices of ferrous and nonferrous metals, timber and timber products and construction materials 1.3-1.5 times, and railroad, motor and water transport rates 30-40 percent. The overall increase in wholesale prices will amount to at least R350 billion based on an annual level of industrial production, of which R150 billion will be absorbed by business-to-business transactions, while the remaining R200 billion will be spread over all other goods production industries and the non-production sector, hitting agriculture especially hard. A third of industrial output is currently used in agriculture. It can be predicted that costs in this area—adding also the new charges for water, higher contributions to social security, etc.—will jump tens of millions of rubles all at once. Consequently, total state purchasing prices will have to be raised by R80 billion.

What would happen to the financial situation in the country and what impact would the new wholesale and purchasing prices have on retail prices and tariffs of goods and consumer services?

In 1990, the turnover tax included in industrial wholesale prices and retail prices should total some R122 billion, and subsidies for bridging the gap between state purchasing prices and retail food prices some R96 billion. This means that budgetary potential for funding the finished goods production sector is very low, amounting to a mere R26 billion. It is thought that investment of central funds into this sector is more or less adequate if the turnover tax is twice the size of subsidies. But if wholesale and purchasing prices go up by R200 billion and R80 billion, respectively, our calculations show that the turnover tax will fall by at least R60 billion in 1991 and amount to R62 billion, while subsidies will jump to R176 billion. The budget deficit will thus rocket by R114 billion. Can the financial system withstand this?

To avoid worsening the current, very grave financial situation, retail prices should go up by some R115-R120 billion at the same time. This, based on the volume of

state retail trade in food products, means that retail prices would double, on average. This raises the issue of compensating the population and finding funds to avoid serious negative socio-political consequences.

Offsetting income increases to low- and middle-income groups will, first of all, inevitably cause rapid unwinding of the price-income spiral and raise inflation rates. Second, price stability in all areas will be immediately violated. But the administratively mandated price reform does not even try to achieve equilibrium in the economy or balancing supply and demand.

It is clear that a general reform of the price system, carried out based on costs and by administrative fiat, has nothing to do with goals and tasks of radical economic reform.

Is there a positive solution for this problem?

Apparently, we have no choice but to shift to some form of a two-tier economy, combining a coupon system of strict rationing of means of production and consumer goods based on somewhat modified existing prices and a system of free sale of the same goods for market prices.

Would it not be better to have a normal, real price in legal state trade, and to use the extra profits which now accrue to illegal merchants to provide social assistance to low-income groups?

Naturally, it is much more difficult to create this system than to declare a war to the death to the shadow economy. Especially since such war, in the old economic system, is *a priori* fruitless. We must direct all efforts to create a fundamentally new economic system which would not breed, every day and every hour, shortages, speculation, numerous abuses and economic crimes in all areas of economic life.

In short, the reform of the entire price and price-setting system should not be carried out under the slogan of preserving the flawed practice of setting prices based on costs and by administrative fiat, but with the ultimate goal of creating a flexible price setting system that would respond to the constantly changing conditions of production and sale. State price setting should cover only a limited set of key goods and services, combined with free price formation for all other output. But even the prices set by government entities must take into account general conditions of supply and demand in the economy, in order to preserve equilibrium in goods and costs.

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

**Leasing Poses Problems for Defense Industry  
Producer**

904A0467A Moscow *EKONOMIKA I ZHIZN* in  
Russian No 27, Jul 90 p 7

[Article by A. Rodionov, general director of the Penza "Zavod Imeni Frunze" Production Association: "Leasing In The Departments"]

[Text] This is the second year that we are operating under leasing conditions. And for the second year we are encountering a number of problems which, unfortunately, are still not being reflected in any of the laws that have been adopted.

The first of these problems is associated with the existing goszakaz [state order] system. Certainly, this question affects all enterprises throughout the country and yet it is having an especially painful effect upon leasing collectives.

As defense workers, we always have considered the fulfillment of the goszakaz as our priority task. But how is it possible to cope with the goszakaz, and our commitment to it is 100 percent, if there is no guarantee for the marketing of the product or that production operations will be supplied with the needed materials, technology or equipment. There is no stability in the planning for this work, nor a guarantee that it will not be corrected at the end of the year. We never know what the goszakaz will be like in the future—a year or two later. Under such conditions, how is it possible to carry out timely production preparations or to conclude contracts for raw materials, other materials and equipment.

And indeed all of this is of special importance if the conditions of leasing contracts are to be carried out in an effective and successful manner.

The subject of leasing in our defense branch is worthy of discussion. It is our belief that this form of management is suitable for any branch and yet a need exists for clearly designating the peculiarities of its use and, on this basis, regulating the interrelationships between the leaseholders and the lessors. And such peculiarities are few in number.

For example, it is stated in the Legislative Principles Governing Leasing that the output of a leasing collective is its own property. Output of defense significance can scarcely be considered the property of the collective. Therefore, it is our opinion that defense enterprises must lease property with certain limitations being imposed. What are these limitations? For example, an enterprise is granted the right of ownership of its output, but the goszakaz stipulates that the sale of this output is to be carried out only to those addresses indicated by the lessor, that is, distribution will be carried out in accordance with the conditions established for state enterprises.

If defense enterprises are excluded from the system of leasing relationships, then they will not enjoy the same economic conditions as do civil enterprises. And indeed, so far as we are aware, the enterprises in our branches have always been distinguished by a higher level of organization for production, labor and personnel skills. Why must these collectives suffer?

I would like to mention the unsolved problems characteristic of all leasing enterprises regardless of their branch affiliation.

When converting over to a single taxation system commencing 1 January 1991, collectives which operate on a lease basis will encounter more complicated conditions compared to other collectives. In addition to a tax on their profits, they will also have to deduct a lease payment from their profit. Moreover, it is still not clear to us exactly what this payment will include. If during 1989 and 1990 the amount of the lease payment was based upon payments into the ministry's centralized fund and was nominal in nature, then under the conditions which will prevail in 1991, when there will be no centralized fund, it is not clear exactly what we must transfer over to the lessor. If we are guided by the Principles of Leasing Legislation, then a lease payment includes amortization withholdings from the cost of leased property and a portion of the profit and if we follow the Law Governing Enterprises in the USSR, then it would appear that all amortization must remain at the disposal of the enterprises. What are we to believe? It is obvious that changes must be introduced into one of the laws (possibly the Law on Leasing).

Under the conditions imposed by the Law On Taxation, it is our opinion that a lease payment must represent an amount for the partial purchasing of property. This applies first of all to new enterprises which have been in existence for not more than 20 years and which have not fully amortized their value. Thus they must be purchased. And such enterprises as ours (in May of this year, it will have been in operation for 75 years), where the fixed capital depreciation exceeds 60 percent, must obviously be turned over to the labor collective free of charge.

The conversion of enterprises over to leasing forces the collectives into intensifying and improving their intra-production cost accounting. And again we are confronted by the fact that, owing to the absence of normative documents, each element must devise and develop statutes governing the conversion of subunits over to collective contracts, leases, the second cost accounting model, and so forth. A tremendous need exists for information and for summarizing leading experience. But the amount of such information that is available is negligible. Thus we must move forward using the method of trial and error.

We employed this method. We began with the introduction of a collective contract in the velo-galvanic department. The collective of this department concluded a contract with the association's administration in which the mutual responsibilities, rights and obligations of the parties involved were reflected. And soon thereafter, another department—for the assembly of velo-wheels—was converted over to lease operations. A statute on organizing a lease contract was approved for it, the prices for products produced were computed and a personal account was opened for it. During the second half of 1989, leases were registered for three more machine tool production departments.

Taking into account the specific nature of these production operations and the absence of methodological preparations, the association had to attract specialists from a leading scientific-research institute of the ministry for carrying out joint work aimed at creating a new model for the formation of prices and income. The collectives of lease departments have now been given complete independence in the distribution of cost accounting income. It is noted that our experience in converting departments over to leasing has been approved by the ministry and by the Penza Oblast CPSU Committee.

Experience has shown that the process of introducing internal leasing must not be accelerated artificially and that the labor collectives themselves must understand the advantages of leasing and proceed with a clear understanding of the future prospects.

At the present time, the next stage in the development of intra-organizational relationships has commenced within the association—the conversion over to cost accounting operations of the association's auxiliary departments: power engineering, repair-mechanical and repair-construction departments. Traditionally, this group of departments has lagged behind in its cost accounting development and the need for improving its economic mechanism is both obvious and urgent. It is precisely in this sector of operations that the efforts of the association's plant economists and specialists are being concentrated at the present time. Our task would indeed be facilitated by the material recommended for improving intra-production cost accounting! I believe that this must become one of the tasks of the recently organized USSR Union of Leaseholders and Employers.

#### **U.S. Firm Proposes Investment in Pulp, Paper Industry**

*904A0458A Moscow RABOCHAYA TRIBUNA in Russian 27 Jun 90 p 1*

[Article by William L. Adams, Ph.D., vice president at ABB [Asea Brown Boveri]: "RABOCHAYA TRIBUNA Action: Where Does the Paper Roll Go?—The American Firm 'ABB' Proposes to End the Paper Shortage in the USSR; Who Is Against It and Why?"]

[Text]

*Respected Mr. Chief Editor:*

*It is with much interest that we, employees of the Soviet-American joint venture "Pris," have followed the debate on the pages of RABOCHAYA TRIBUNA devoted to the paper crisis in the USSR. The point is that our firm, Asea Brown Boveri (ABB), the partner and founder of the joint venture, builds engineering systems which allow an increase in paper production without building additional production capacities. I will be very grateful to you if you allowed us to share a few ideas on these issues that are so important to your country.*

In his interview with RABOCHAYA GAZETA, V. Melnikov, USSR minister of the forestry industry, stated that currently the gap between demand and production amounts to over 200,000 tons of paper a year, including 100,000 tons of newspaper rolls. According to him, the Soviet Union, with its huge forest resources and 400 paper and paperboard machines, is in the 42nd place in per capita paper use, behind the GDR, Czechoslovakia and Hungary. We were told that many leading publishers purchase paper abroad. Clearly, the pulp and paper industry in the USSR faces the critical need to promptly increase output and raise the quality of its paper and paperboard.

The recently founded joint venture "Pris-ABB" has established contacts with a number of combines to supply automated production control systems. This will allow them to improve quality while increasing production with minimum outlays. The program calls for installing automated systems at 20-80 of the largest plants, introducing the latest methods of production process control. As a result of this, productivity will rise 5-20 percent, while the quality of output will reach world standards. To carry out this program you will need to invest \$20 million to \$40 million over 2-3 years. To achieve a similar increase in production and quality by installing an additional machine, you will need \$200 million over 2-4 years.

As Minister V. Melnikov stressed in his interview, the industry faces a dilemma: to increase production capacities, the industry either lacks hard currency completely or is desperately short of it. At the same time, to cover its shortage, the USSR is forced to import over 100,000 tons of paper a year at a cost of \$40 million. This is more than the entire cost of the automation and modernization program. Every additional day that the modernization program is delayed, the Soviet Union pays \$110,000 for the very same paper that could be made domestically by Soviet enterprises.

The unique cooperation between "Pris-ABB" and the combines was meant precisely to solve this problem in the most realistic and effective way. Since the final goal of the automation program is to increase production and to raise the quality of output to world standards, there is an opportunity here to use a share of increased production to fund the automation program itself. We think that half of the increase in output could either be sold at the world market or cover the hard currency outlays on automation at every combine over 1-3 years. After that, the entire production increase will be used in the USSR.

While to meet the long-term demand of the USSR for paper and paperboard additional capacities will have to be built, the long duration and the high cost of such measures make them impractical for addressing the pressing needs of the country. I repeat, each new paper-making machine and pulp production line costs some \$200 million. It takes at least three years to begin producing at capacity. It is doubtful that the USSR can afford to wait so long.

The crisis situation with paper mentioned by Minister V. Melnikov is familiar to us, partners in the deal between "Pris-ABB" and the complexes. But it cannot be said about representatives of the bureaucratic apparatus. Instead of supporting our efforts and encouraging smooth and successful work, officials insist on clarifying piddling details which in the final analysis have no impact on the overall cost at all, but delay projects for months. For instance, we proposed to deal directly with the combines, but they talk about an intermediary link, the "Eksportes" association. Each day of delays in the program costs the industry \$50,000 to \$100,000.

Only first steps have been made in accomplishing our program. Together, "Pris-ABB" and the combines have drafted a program to deliver automated systems from the West to the USSR. Meanwhile, we train Soviet engineers and build the industrial base to service the machines and to organize their delivery. In short, this is not a set of short-term measures to solve a current problem but a means of pushing the USSR to the world level of automation in the pulp and paper industry. Once it is implemented, it will help solve the paper crisis quickly, using existing Soviet capacities and specialists.

For this, we have worked together to organize the sale of a share of the production increase for hard currency to fund these programs. If need be, we may finance the program with credits. We have already started the joint production of systems for the Solikamskiy and Konopozhskiy pulp and paper combines and are working together with a number of others. The American side appreciates the interest expressed by the combines, the ministry and other entities supporting our efforts. We hope that together we will be able to solve your acute paper shortage.

**Editorial comment:** Taking into account the extraordinary situation with paper in this country, RABOCHAYA TRIBUNA appeals to N.I. Ryzhkov, Chairman of the USSR Council of Ministers, to review the ABB proposal immediately, at the government level.

## REGIONAL DEVELOPMENT

### Impact of 'Acceleration' on Societal Well-Being in RSFSR Criticized

90P50040A

[Editorial Report] Moscow MOSKVA in Russian No 6 for June 1990 carries on pages 165-176 a 13,300-word article by Mikhail Lemeshev [not further identified] entitled "The Destructive Step of 'Acceleration' [Uskorenije]." The journal is an organ of the RSFSR Writers' Union, and the article focuses in particular on the negative consequences of the policy of acceleration in the Russian republic.

The author asserts that economic growth and production targets for the first three years of the present five-year plan have for the most part been met, but paradoxically

the growth in material production has led to a noticeable drop in societal well-being. Lemeshev cites statistics on environmental pollution, infant mortality, average life expectancy, and natural population growth rates as evidence of the deterioration in the quality of life, again with specific emphasis on the impact in the RSFSR.

The author devotes one-third of his article to criticism of the Soviet Union's atomic energy policy, calling the development of atomic energy "the road to disaster." Lemeshev rejects the assertion that there is no alternative to atomic energy, claiming that energy specialists have used this argument to justify large-scale construction of new atomic power plants and to attract millions of rubles in budget allocations for their own purposes. Lemeshev notes that the majority of new power plants is scheduled for construction in the RSFSR, particularly in the densely populated areas around Smolensk, Bryansk, Kalinin, Yaroslavl, Kostroma, Gorkiy, Kazan, Saratov, and Voronezh.

Asserting that the "powerlessness of Russia within the structure of the Union of Soviet Socialist Republics threatens it with deadly danger," Lemeshev puts forth a political, economic, and environmental program that includes full political sovereignty of the Russian republic, independence from all-union ministerial dictate, full ownership of all natural resources, and the power to forbid the construction of atomic power plants and other harmful production facilities on its territory.

### Financial Basis For Moldavian Self-Management Assessed

904A0320A Moscow EKONOMIKA I ZHIZN in Russian No 16 Apr 90 p 13

[Interview with V.G. Kutyakin, deputy chairman of the Council of Ministers of the Moldavian SSR and chairman of the republic's Gosplan, by Yu. Kornev and V. Shloma, Kishinev: "Moldavia—The Path To Self-Government"]

[Text] Meetings, keen discussions, strikes and polarization of opinions—it was against such a socio-political background that preparations were carried out in Moldavia for the introduction of territorial self-government and self-financing. The deputy chairman of the Council of Ministers of the Moldavian SSR and chairman of the republic's Gosplan, V.G. Kutyakin, discusses the concept of socio-economic independence for the republic.

[Kutyakin] Our concept is not a product of staff creativity. Three independent creative collectives of scientists and practical workers from among our leading economists, financiers and lawyers and also representatives of social organizations have created three alternative plans. Rational ideas which take into account the draft law on local self-government were generalized and enriched by the experience accumulated in other republics. The final variant of the plan was published in the republic press for extensive discussion, during the course

of which we obtained a considerable number of constructive recommendations. The most valuable of these were all taken into account. And now the government has a plan for a corresponding republic law, which was developed based upon the concept and which will be presented to the Supreme Soviet of the Moldavian SSR of the new structure.

It bears mentioning that during this work not one of the social movements, including the Popular Front, presented the committee with complete alternative variants.

[Question] What was the starting point for the existing model of self-government?

[Kutyrkin] The republic does not have its own mineral resources. Petroleum products and gas, coal and metal, timber and products of the chemical industry and other raw material resources must be imported.

In the export structure, two fifths of the products are produced by the food industry and particularly by the wine-making and tobacco sub-branches. To this we would add fruit and vegetables, animal husbandry products and also consumer goods produced by light industry. We are exporting the products of branches that are new to Moldavia— instruments and equipment, agricultural machines and other. I should also add that, according to data obtained from the inter-branch balance, products representing 98 branches of material production are being imported into Moldavia and products of 74 branches are being exported.

The severing of these relationships is tantamount to driving the republic's economy into a blind alley. Here we have in mind still another consideration: how, within the framework of a single national economic complex for the country, can the republic expand its sphere of internal management and the independent formation and expenditure of the budget and how can the economic interest of the labor collectives be included in this process?

[Question] The readers have asked the question: generally speaking, is the idea of regional cost accounting in the face of a budgetary deficit realistic?

[Kutyrkin] Yes, there is a problem here. A discussion of the concept of socio-economic independence, while having a hole in the republic's budget, is at best not too serious a concern. But here we were able to do something. Last year, for example, a budgetary deficit on the order of 180 million rubles was planned. By November, owing to lowered production costs, additional profits and the production of above-plan products, which furnished us with 70 million additional rubles' worth of turnover tax and foreign economic activity, we achieved an increase in budgetary payments of 200 million rubles, we eliminated the deficit completely and we financed all of the republic's socio-economic programs. This year the budget was formed with a deficit of 130 million rubles and yet at the present time, as a result of various sources, we have succeeded in obtaining 80 million for covering

it. It is my belief that we will complete the financial year in a completely normal manner.

In order to implement the idea of self-government and self-financing with fewer losses, importance is attached to working out in a practical manner the elements of self-government. Thus, last year, by way of an experiment, we converted Drokhevskiy and Sorokskiy rayons over to self-financing and the formation of local budgets on a normative basis. This proved to be of assistance in developing a methodology for determining the normatives and truly realizing results.

Sorokskiy Rayon succeeded in accumulating almost two million rubles in its budget. Formerly, these funds were expended from the republic's budget for covering a particular financial problem. Such operations are impossible today. Meanwhile, in the rayon they expect to accumulate a definite amount and to use it for resolving important social tasks.

Still another step has already been taken this year towards the new system of management. We changed the system for financing the non-productive sphere and particularly public health, national education and culture. From the traditional budgetary allocation of funds by items of expenditure (wages, current and capital repairs, acquisition of equipment, inventories and others), we converted over to financing based upon normatives (per resident of the republic). In other words, a definite amount is being allocated for each resident of a region and local authorities are authorized to handle these funds independently and to maneuver them for the purpose of solving social tasks.

[Question] Independence also assumes the formation of a republic economy. What is the picture today in this regard?

[Kutyrkin] The agro-industrial complex, light industry, the furniture and wood-working industry, the construction materials industry, capital construction, intra-republic transport and communications, trade and domestic and municipal services are all being placed under the jurisdiction of the republic. In other words, those branches which create more than 85 percent of the total social product and national income for the region.

Worthy of note is the fact that the very process of forming the republic's economy has prompted our economists, planners, financiers, suppliers and production workers to take a new look at everything taking place at the present time.

For example, a task has been assigned within the APK [agro-industrial complex], within a brief period of time, to augment the complex with a flexible system of small processing enterprises that are located as close as possible to the production areas for the agricultural products.

Many new developments are taking place in the construction industry. We are bringing in large quantities of

sand, gravel and crushed stone from oblasts in the Ukraine. Since we lack these raw materials, we have elected to create joint enterprises with our neighboring republic. We are also employing this type of relationship with timber industry enterprises in Arkhangelsk and Kalinin oblasts. We are investing resources in their development and thus we are solving the problem of ensuring that carpentry products are available for housing construction.

It is believed that such inter-republic horizontal contacts will become standard under the conditions imposed by self-government and the development of partner relationships.

We are planning to create a commercial center attached to Gossnab [State Committee for Material and Technical Supply], one which will play an intermediary role in the sale of products produced in excess of the state order by enterprises of a region. This will aid these enterprises in finding consumers and suppliers beyond the republic's borders and in establishing direct contacts. It is our opinion that such a center will make it possible to avoid the anarchy which arises in a logistical supply system during the formation of a wholesale market.

[Question] Under conditions in which regions are being converted over to self-government, is not serious thought being given in some areas in the republics as to who is obligated to whom?

[Kutyrkin] At best, this is not a serious problem. Under the conditions imposed by the administrative-command system and the centralized distribution of productive forces, many faults and defects were tolerated. But to accuse a region today of "furnishing little and taking a great deal," if you will excuse the expression, suggests the smell of a political game. On the other hand, our existing system for prices and price formation has become obsolete to such an extent that it is out of touch with the socially necessary expenditures and thus they cannot serve as a true gauge of the contribution by a specific region nor of the effectiveness of inter-regional exchange. It is my opinion that it is not only the past deformations that must be "taken into account," but rather we must apply our efforts to all aspects in the interest of creating new economic relationships within the framework of a restored federation.

#### Draft Law on Georgian Economic Independence Published

##### Text of Law

904A0452A Tbilisi ZARYA VOSTOKA in Russian  
5 Jun 90 pp 1, 3

[Draft Law of the Georgian Soviet Socialist Republic on the Principles of Georgian Economic Independence; first two paragraphs are source introduction]

[Text]

As is known, the Presidium of the Georgian Supreme Soviet is readying proposals on a constitutional mechanism for restoring and reinforcing complete state sovereignty for Georgia. In this context, intense work is being carried out in the Presidium of the supreme legislative body of the republic as well as in the work groups and commissions. A detailed study and consideration are being given to the proposals of prominent scientists, specialists and experts, public figures, the creative intelligentsia and various sociopolitical movements and associations, in being aimed at overcoming the political, economic and ideological deformations and at creating a national form of a democratic society under the law.

A number of draft laws which will create the legal basis for the full economic and political independence of the republic has already been readied and are now in the stage of completion. These are the draft laws on Georgian citizenship, property, land and land tenure, local self-administration, alternative military service, protecting the social rights of the public and so forth. After public discussion these will be reviewed and approved at a session of the Georgian Supreme Soviet. We are commencing the publication of these draft laws today with the most important "On the Principles of Georgian Economic Independence." We express the hope that the republic workers and the broad community will respond actively and will share their proposals and considerations so that the important draft laws adopted by the session of the Supreme Soviet actually reflect the opinion and the will of the entire people.

\*\*\*

The Georgian SSR, as a sovereign state in the Union of Soviet Socialist Republics, carries out an independent economic policy which is based on the inalienable and indivisible ownership by its people of the living space, the production resources and natural riches.

Georgian economic independence is carried out on the basis of the consistent implementation of the principles of controlled market relations. Proceeding from the national interests of Georgia, the republic governing and administrative bodies independently direct the processes of socioeconomic development. The economic ties of Georgia with the central Union bodies and with the other Union republics, their regions and overseas nations are carried out on the basis of mutually advantageous, equal treaties and agreements.

#### Section I: The Essence of Georgian Economic Independence

##### Article 1. The basic aims of Georgian economic independence

The aim of Georgian economic independence is to provide, proceeding from the interests of national uniqueness, the dynamic and integrated development of the republic economy and on the basis of expanded

reproduction, the achieving of the complete satisfying of the material and spiritual requirements of the population.

In Georgia, economic activities are directed proceeding from the underlying political, cultural and socioeconomic interests of the indigenous nations. Guaranteed conditions are to be established for persons of other nationalities residing in the republic for satisfying their diverse sociocultural needs in accord with the status of a Georgian citizen.

Georgian economic independence should create for each republic citizen conditions for improving the standard of living, for protecting health, for better satisfying spiritual needs, for ensuring social guarantees, for the creative self-expression of the individual, for the free choice of the type of employment, for increasing the prestige of conscientious labor and as the skillful manager of the development and better utilization of national spiritual potential.

#### **Article 2. Georgian economic legislation**

Georgian economic independence is carried out on the basis of the Georgian Constitution, the current law and the legislative enactments worked out in accord with it.

#### **Article 3. Basic principles of Georgian economic independence**

The determining, initial conditions for Georgian economic independence are its sovereignty, the separateness of its property and the integrity of the republic economic complex.

Georgian economic independence is based upon a combination of the principles of self-government and self-financing, freedom of entrepreneurship and state control on all levels of national economic management.

In Georgia, economic activities are carried out under the conditions of a diversity, equality and state protection for the forms of ownership, the development of market relations, the independence of the administrative-territorial units in the republic in resolving the questions of local importance, economic independence and free partnership.

#### **Article 4. The diversity of ownership forms in Georgia**

Georgia recognizes a diversity of ownership forms and their equality. All forms of ownership serve the common goal of raising the prosperity of the people and strengthening the economic might of Georgia. All forms of property are protected by the law. Damage caused an owner of property is repaid in accord with Georgian legislation.

All enterprises located on the republic's territory, as a rule, are the property of Georgia.

#### **Article 5. The unified national economic complex of Georgia**

The aggregate of all enterprises, institutions and organizations located on Georgian territory comprises the national economic complex of the republic, and the operation of this in accord with the Georgian laws is regulated by the republic ruling and administrative bodies.

The unified national economic complex of Georgia also includes the enterprises, institutions and organizations belonging to the USSR, to other Union republics, to foreign countries and to their legal and physical entities and operating on Georgian territory in accord with its laws and with the approval of the republic state ruling and administrative bodies.

The economic formations belonging to Georgia, to its legal and physical entities can be formed and operate in other Union republics and foreign countries in accord with their legislation or mutual agreement.

#### **Article 6. The place and role of Georgia in the Union and international division of labor**

Georgia, as a sovereign state in accord with the national goals and tasks and within the limits of its natural, demographic, economic and cultural capabilities, is to participate in the Union and international division of labor by mutually advantageous commodity exchange and other forms of economic collaboration on the basis of treaties and agreements concluded in accord with the principles of equal partnership.

#### **Article 7. Responsibility of Georgian state power and administrative bodies under the conditions of the republic's economic independence**

The state and administrative bodies of an economically independent Georgia bear full responsibility for satisfying the material, social and spiritual needs of the republic population, for preserving and developing national-cultural values, for the protection and rational use of natural wealth, as well as for carrying out obligations stipulated by treaties concluded with the state and administrative bodies of the USSR, the other Union republics and foreign countries.

#### **Article 8. Organizational principles for managing the Georgian economy**

The Georgian economy is to be managed predominantly on the basis of the principles of commodity-monetary relations and full cost accounting.

The enterprises, associations, economic organizations, as the main elements of the economy, carry out their production, economic, financial and commercial activities independently, they possess their own funds, choose the organizational form of operations, voluntarily join into combines, trusts, concerns, associations and so forth. Their production and economic activities are based on free market ties, contracts concluded with

suppliers and consumers as well as state orders which have a voluntary nature and are distributed between enterprises on a competitive basis.

The state and sectorial management bodies do not intervene directly into the activities of the labor collectives, they create favorable conditions for the balanced development of the economy, and they work out strategic programs for economic development as well as recommendations for the development of the sectors, for carrying out investment policy and for the training of the personnel.

Leadership over the Georgian economy is carried out in accord with the General Management Plan approved by the republic Supreme Soviet and this defines the structure of the republic management bodies.

In instances provided by Georgian legislation, it is possible to transfer the right of managing the enterprises of individual sectors to USSR managerial bodies on the basis of a contract.

#### **Article 9. Organization of territorial management of the economy in Georgia**

The basic elements of the territorial economic management system in Georgia are the local soviets which bring together those enterprises and organizations in material production and the service sphere, the products and services of which are used on the spot.

The socioeconomic administration of autonomous forms and other administrative-territorial units of Georgia is carried out on the basis of the principles of self-financing and self-management, considering the greatest possible strengthening of the property of the local authorities and the interests of the population of all nationalities residing on the given territory in accord with the natural conditions, historical traditions and the area of economic specialization of the regions.

The economy of the administrative-territorial formations is governed by delegating the managerial functions from the republic bodies to the bodies of the autonomous units and local self-administration and by compensatory and restrictive measures which create the conditions for raising the levels of socioeconomic development in the individual regions.

#### **Article 10. Providing free entrepreneurship and development of a market economy**

The legal and physical entities in the Georgian economy organize their operations on principles of free entrepreneurship within the limits permitted by republic legislation. The state creates equal conditions for them for production, economic, financial and commercial independence, competition, it checks monopoly and assists in creating various economic and production formations. The legal and physical entities in the republic economy are completely independent in their cost accounting activities and bear full liability for the results of these operations.

The legal and physical entities of the Georgian economy are not to be directly subordinate to the state administrative bodies and their relations are governed by contracts which for both sides provide the bases for cost accounting relations.

Activities of legal and physical entities in the economy when running counter to the national, social, economic, cultural and ecological interests of Georgia are to be halted by means of a legal and economic nature.

In Georgia, free market relations operate in the sphere of the circulation of the means of production, consumer goods and services, intellectual innovations, manpower, capital and foreign exchange.

#### **Article 11. The main directions of scientific-technical, structural and investment policy**

Georgia creates favorable conditions for carrying out a unified scientific-technical, structural and investment policy and this ensures the formation of a highly efficient, mobile economy based upon the most recent achievements of the scientific and technical revolution and functioning in accord with national priorities and the demands of the world market.

The Georgian state and administrative bodies:

—are to carry out a system of economic and organizational measures for the development of the scientific, technical and production potential, for creating modern ecologically safe equipment and production methods, for increasing the quality and competitiveness of the products, and they independently set the long-range and national priority areas of scientific research, the demand for scientific and scientific-pedagogical personnel, the procedure and scale of their training;

—are to carry out a national structural policy which ensures the achieving of high national economic results on the basis of eliminating the deformations and disproportions existing in the economy, the predominant development of sectors based on highly skilled labor and the most recent technological achievements, and the formation and territorial placement of such production and social structures which create conditions for the reproduction and rational utilization of natural resources, the preservation and safeguarding of the environment as well as historical and cultural monuments;

—are to carry out an investment policy which ensures the rational allocation of capital investments between the production and nonproduction spheres as well as between the national economic complexes and sectors, considering the economic, social, demographic and ecological tasks, the use of the most progressive technical and design decisions for new construction in the aim of creating a humane and full-scale habitat favorable for man as well as for preserving and developing the rich traditions of national architecture.

**Article 12. Free partnership relations of Georgia with the Union republics and foreign countries**

Georgia assists completely in developing market relations with other Union republics and in establishing mutually advantageous economic, cultural and other collaboration with foreign countries. Free partnership relations with foreign countries are carried out on the basis of direct economic, cultural and other types of ties, by establishing free economic zones in individual coastal and border regions of the republic.

The Georgian government and other republic state administrative bodies assist the legal and physical entities of the economy in establishing direct ties with foreign firms, and create for their operations good conditions within the limits set by Georgian legislation.

**Section II: Property****Article 13. Forms of property in Georgia**

Economic independence of Georgia is based on the following forms of ownership:

- individual (personal and private) ownership of Georgian citizens;
- collective ownership (cooperative, corporation, joint-stock as well as the property of social and religious organizations and other associations of the citizens);
- state ownership of Georgia (the public ownership of Georgia, the ownership or property of the autonomous republics and the ownership of the local authorities).

Georgia also permits mixed ownership. Within the limits stipulated by Georgian legislation, on republic territory they permit Union and interrepublic ownership and ownership by other republics, foreign countries, their legal and physical entities as well as the ownership or property of international organizations.

Georgia permits various forms of ownership of the means of production.

Property relations are regulated by Georgian legislation.

**Article 14. Individual (personal and private) ownership by Georgian citizens**

Individual ownership of the citizens operates in the form of the property of individual persons and their families, the means of production and equivalent values, the nonproduction-end articles and valuables, money and securities as well as products of intellectual labor. Individual ownership of the citizens can be alienated and inherited.

The types of individual ownership of the citizens include: personal ownership and private ownership.

Personal ownership is based on the labor of individual persons and the members of their family and serves to satisfy their needs.

Private ownership, in being the basis of commodity production carried out by the citizens, can be based both on the labor of the owners themselves as well as of hired persons.

**Article 15. Collective ownership (cooperative, corporation, joint-stock as well as the ownership of public and religious organizations and other associations of the citizens)**

Collective, cooperative, corporation, joint-stock as well as social and religious organizations, associations and social movements of the citizens possess, utilize and dispose of property in accord with Georgian legislation and the registered bylaws. Their ownership is comprised of the means of production, infrastructure facilities, financial resources, securities and other property which has been created or acquired by funds of the cooperative enterprises, the corporations, joint stock associations, public organizations and movements of religious organizations, groups of physical entities or property which in the legally established procedure has been turned over to the ownership of the designated organizations.

**Article 16. State ownership of Georgia (national ownership of Georgia, ownership of the autonomous republics and ownership of the local authorities)**

The land, its mineral wealth, internal and territorial waters, the continental shelf, the forests and atmosphere within the limits of the republic territory are the inalienable and indivisible ownership of Georgia.

The procedure for the transfer, utilization and confiscation of the land which is the indivisible ownership of the state is defined by Georgian legislation. Land can be transferred to Georgian citizens for permanent use with the right of inheritance.

Within the limits recognized by international law, Georgia possesses the right of possession, utilization and disposal of the resources in the economic zone of the Black Sea adjacent to the republic territory.

Also part of the state ownership of Georgia are the enterprises in the various national economic sectors, the networks (systems) of power, transportation and communications, the state-owned housing, state institutions and infrastructure projects, including resort and tourist ones, other fixed capital created by state funds, the state banks, financial resources, various securities as well as the resources which have been invested in the enterprises, facilities and organizations of other republics and countries and other property needed for carrying out the tasks confronting Georgia as a sovereign state.

Also considered as state ownership of Georgia are the enterprises or the parts of them located on the territory of other Union republics and foreign countries and which have been set up using funds of the Georgian State Budget and the Georgian state enterprises.

The questions of the possession, use and disposal of state ownership of the republic are to be resolved by the Georgian state and administrative bodies.

#### **Article 17. Ownership of autonomous republics and local authorities of Georgia**

Upon the decision of the Georgian Supreme Soviet, a portion of the republic's state property, in accord with Georgian legislation, can be turned over to the disposal of the autonomous republics and the local authorities. This property is multiplied by using local self-administrative funds. They are possessed, used and disposed of by the local state and administrative bodies in accord with Georgian legislation.

The autonomous formations within the limits set by Georgian legislation can possess, use and dispose of land, water and forest resources, economic and cultural facilities, and historical monuments which ensure the reproduction of cultural and national traditions of the population.

The legal status of the property which is the ownership of the autonomous republics and the local authorities, in accord with Georgian laws, is set by the republics and these bodies themselves.

It is prohibited to transfer, confiscate or reallocate facilities which are owned by the autonomous republics and local authorities without their approval.

#### **Article 18. Mixed forms of ownership**

Within the limits stipulated by Georgian legislation, mixed forms of ownership are permitted. These can operate in the form of state-cooperative, kolkhoz-cooperative, state-cooperative-personal, cooperative-personal ownership of the Union republics and foreign countries, their legal entities as well as joint ownership of individual citizens and so forth.

#### **Article 19. Georgian ownership abroad**

The conditions for the possession, use and disposal of state and cooperative property, the property of social organizations and social movements as well as Georgian citizens located in other Union republics and foreign countries are to be set out by Georgian legislation and by the laws of those states where the property is located as well as by the standards of international law and concluded agreements. Georgia provided assistance to the owners of this property in defending it.

#### **Article 20. Ownership of property of the USSR, other Union republics and foreign states on Georgian territory**

In instances stipulated by Georgian legislation, it is possible to locate on its territory enterprises, structures and facilities of the infrastructure and nonproduction purposes, banks, financial resources which are partially or totally the property of the USSR, the other Union republics as well as the property of foreign states, their legal and physical entities.

The procedure for the location and use of such property is determined by intergovernmental agreements.

#### **Article 21. Regulation of ownership relations**

All forms of ownership which are part of the Georgian economic system are protected by the state and ownership relations are regulated by Georgian legislation and by treaties.

In accord with Georgian legislation, the property which is in various forms of ownership can be leased out, sold as well as transferred to the legal and physical entities or social organizations of the republic, to organizations and firms of the USSR, other Union republics and foreign countries.

### **Section III: Social Guarantees for the Georgian Public**

#### **Article 22. The system of providing social guarantees**

Georgia has in operation a system of social guarantees and this provides for the creation for the republic's citizens of economically, ecologically and socially favorable working and living conditions, the satisfying of the urgent requirements of the Georgian citizens for housing, vital necessities, medical, everyday and utility services and education.

The social guarantees are provided by the state bodies and institutions, the state, cooperative and mixed-type enterprises, social organizations and private owners.

#### **Article 23. Providing the social well-being of the public**

Georgia ensures the satisfying of the material, social and cultural needs of the population in the legislatively established procedure.

The Georgian fund for the consumption of national income is distributed between the republic inhabitants chiefly in the form of wages, pensions, scholarships, assistance and benefits considering the change in the cost of living index.

#### **Article 24. Working conditions and wages**

The amount of wages at a cost accounting enterprise (and organization) in Georgia depends upon the labor contribution made by each worker to the collective result and upon the total amount allocated by the collective from its income for wages. Proceeding from the subsistence minimum, Georgian legislation sets only the minimum wages and wage rates. The maximum amount of wages is not limited.

The cost accounting enterprises and organizations, in accord with the current legislation, set the labor standards and wage rates and determine the hours of working time and leisure.

At state enterprises and institutions which do not operate on cost accounting, the wage procedures and working hours are set by the Georgian Council of Ministers.

**Article 25. Guarantees in the cultural sphere**

The Georgian state bodies create the material and organizational conditions for the further flourishing of Georgian culture, for strengthening the spiritual and physical potential of society, for turning common human ideals into vitally important social values for the entire population as well as the complete and real realization of the official status of the Georgian language.

All conditions are created for the indigenous and other nationalities residing in Georgia for the development of their own culture and for studying and using their mother tongue.

**Article 26. Guarantees in the educational area**

The Georgian state bodies are to provide, in accord with the Georgian Law on Education, the possibility for the republic population to receive a general and professional education at all levels of this, and are to create conditions for forming and developing a national education system which conforms to the historical and cultural traditions of Georgia.

**Article 27. Guarantees in the sphere of social security and social insurance**

Georgia provides the obligation of social insurance and the availability of medical aid for all citizens.

Social insurance is provided in line with old age, unemployment, disability, sickness, work injury or the loss of the provider.

Georgia insures social and economic protection for the elderly, pensioners, disabled, single mothers and large families. The amount of pension related to disability, old age or the loss of the provider should correspond to the labor contribution of the disabled, the elderly or the provider and should not be below the subsistence minimum.

**Article 28. Defense of worker interests**

Georgia defends an equilibrium of interests of all social strata and groups as well as the producers and consumers, and the valid demands and rights of all parties. Hired employees at private enterprises have all those social guarantees possessed by employees in the social sector.

In Georgia, trade unions and other worker associations on the basis of the Georgian Law Governing Trade Unions as well as other enforceable enactments possess rights and powers to defend the material and social interests of the workers and the labor collectives.

The state, with the agreement of the trade unions and other worker associations, determines the minimum duration of working time and the minimum duration of paid leave.

In instances of strikes, the social guarantees of the workers are protected by Georgian legislation.

**Article 29. Control of demographic processes**

Georgia carries out a national demographic policy for ensuring the optimization of demographic processes for the indigenous nations, expanded reproduction of the population, the rationalization of extra-and intrarepublic migration, and for increasing the proportional amount of the indigenous nations in the population of certain regions.

The implementation of demographic policy is directed by the governmental demographic commission which works out proposals on allocating from the State Budget the funds required for demographic investment, and directs the work of the demographic societies, the regions and the labor collectives to resolve the most urgent demographic problems.

In parallel with the national demographic policy, interethnic demographic measures are worked out and implemented in the aim of improving the demographic situation of the ethnic minorities.

**Article 30. Nature management procedures and guarantees of environmental conservation**

In the aims of ensuring a healthy environment for the present and future generations of Georgia, the state institutes procedures for protecting the environment and for nature management.

The law has stipulated the demands and limitations in the development and placement of enterprises, including a procedure for halting the construction and production operation or closing down those enterprises which create a threat to the environment.

The Georgian Council of Ministers sets limits and standards for nature management, indicators for the comprehensive and effective use of natural resources, it issues permits for the use of natural resources and improves the economic mechanism of nature management.

**Article 31. Defense of consumer interests**

In the aim of protecting consumer interests and thwarting the monopoly of producers, the Georgian Council of Ministers institutes a system of state restrictions and benefits, including control over the harmlessness of products and quality of goods, as well as limit prices for vital necessities and compensates for an increase in the cost of living and assists in establishing consumer societies.

**Section IV: State Regulation of the Georgian Economy****Article 32. State regulation of the Georgian economy and its basic function**

The Georgian state and administrative bodies in accord with national interests and utilizing legal and economic levers:

—are to work out long-term and medium-term programs for socioeconomic development and these are to set

out the general republic strategic and economic tasks, the most important national economic, sectorial, intersectorial and territorial proportions, as well as the basic directions of implementing socioeconomic, demographic, structural-investments, technical and ecological policy;

- are to regulate the relationships of the legal and physical entities in the Georgian economy with the state as well as the relations of the enterprises, institutions, organizations, banks, associations and firms using primarily economic methods (taxes, credits, deductions from the specific funds and others) without direct intervention into their operations;
- are to defend Georgian interests in relations with the Union management bodies, the other Union republics and foreign countries;
- in the aims of ensuring comprehensive development of the republic economy, the subsistence minimum and the social protection of the public they regulate prices and rates for individual types of goods and services, they carry out antimonopoly measures and in the necessary instances allocate suitable subsidies for the accelerated development of individual sectors and regions;
- are to regulate the demographic and migrational processes in the population, and create suitable conditions for the rational use of labor resources and labor safety;
- are to ensure the rational utilization of the republic's natural resources, the amelioration of the environment and ecological equilibrium;
- are to establish a suitable system for protecting the public, enterprises and organizations against natural disasters, industrial accidents and other emergency situations and for eliminating their consequences.

#### **Article 33. Banking activities, monetary circulation and price formation**

Georgia independently carries out a unified state policy in the area of the monetary and credit system and price formation.

In accord with Georgian legislation, in the aims of carrying out the principles of economic independence in the republic, a banking and credit system is to be established with the introduction of Georgian money. The designated system encompasses the Georgian State Bank, the commercial banks and other credit institutions.

The Georgian State Bank is the republic central bank and it has the right of the emission of money. It regulates the entire republic monetary and credit system and provides control and supervision over the activities of the commercial banks, and sets the ratio of Georgian

money and the Soviet ruble as well as the currencies of other countries and the procedure for their reciprocal exchange.

One of the main tasks in the development of the Georgian economy is the achieving of free convertibility of Georgian money.

The Georgian State Bank is an independent organization, the status of which is defined by Georgian legislation.

The monetary resources formed on Georgian territory and accumulated in the bank's institutions create the credit resources of the republic. By their monetary resources the banks participate in forming the republic budget on a commercial basis and in the necessary instances accept or place monetary resources with the banks of the USSR and the other Union republics with the collecting of the appropriate fee.

Georgia has the right to issue its own State Loan bonds and other securities and set the procedure for their circulation.

Georgia independently determines and carries out a unified price formation policy, proceeding from the interests of the republic's economic and social development and in the necessary instances sets and regulates prices for goods and rates for services, it exercises control over these, it carries out antimonopoly and other measures to normalize market relations.

Internal republic as well as interrepublic and international trade is carried out predominantly at contractual (market) prices.

Georgia, as an equal partner, together with the other Union republics participates in working out the Union principles of price formation for strategic commodities and in the necessary instances, in working out the limit price parameters considering the observance of economic mutual advantage and social justice.

#### **Article 34. Principles of financial and budget relations of Georgia, the autonomous formations and the local soviets of the republic**

The Georgian budget system is comprised of the Georgian Republic Budget, the independent republic (autonomous formation) and local budgets. The income of these budgets is provided from taxes, fees and obligatory payments set for legal and physical entities.

The Georgian laws on budgetary rights, taxation and self-administration define the general procedures for compiling, reviewing, approving and carrying out the Georgian Republic Budget, the budgets of the autonomous formations and the local budgets as well as their relations are determined by the Georgian laws on budgetary rights, taxation and self-administration.

Under the control of Georgia are the following:

- the compiling, review, approval and execution of the Georgian Republic Budget;
- the organization of the taxation system, general state fees and obligatory payments to Georgia, the collecting of which is carried out over the entire republic territory and which completely or partially go to form the Georgian Republic Budget.

The list of such taxes, fees and obligatory payments and the amount of the rates, the administration of taxation and benefits for these are set by the Georgian Supreme Soviet which simultaneously defines the economic relations with the enterprises, associations and organizations.

The supreme soviets of the autonomous republics and the local soviets have the right to set varying local fees and taxes, the tax rates, administration and benefits.

The list of sources for the income portion and the expenditure structure of the Georgian Republic Budget, including expenditures for paying subsidies to the autonomous formations and local soviets, is determined by the Georgian Supreme Soviet while the budget in the autonomous formations and the local budgets are set by the corresponding soviets within the limits stipulated by the legislation of Georgia and the autonomous republics. For carrying out emergency socioeconomic tasks in the republic in the necessary instances it is possible to use specific financing from the Union budget in the form of a subsidy.

On the basis of mutual agreement, deductions may be made from the republic budget to the Union budget for financing expenditures to carry out those functions which the Supreme Authority of Georgia by treaty turns over to the Supreme Authority of the USSR.

#### Article 35. State the social control

Control over the establishing of taxes at all enterprises, organizations and institutions located on Georgian territory and part of its economic complex as well as for the preservation of nature, the state of health of the public and other questions and the issuing of proper instructions are carried out in accord with Georgian legislation.

#### Resolution on Public Discussion

904A0452B Tbilisi ZARYA VOSTOKA in Russian  
5 Jun 90 p 1

[Decree of the Presidium of the Georgian Supreme Soviet on the Draft Georgian Law on the Principles of Georgian Economic Independence]

[Text] The Presidium of the Georgian Supreme Soviet decrees:

1. The Draft Georgian Law "On the Principles of Georgian Economic Independence" submitted by the Geor-

gian Council of Ministers is to be published in the republic newspapers for public discussion.

2. The Georgian Council of Ministers is to generalize the proposals and comments received in the course of the public discussion of the draft of the above-indicated law and prior to 15 July 1990, is to submit to the Presidium of the Georgian Supreme Soviet the proposals on amendments which are to be incorporated in the draft law.

*Chairman of the Presidium of the Georgian Supreme Soviet G. Gumbaridze*

*Secretary of the Presidium of the Georgian Supreme Soviet V. Kvaratskheliya*

*Tbilisi, 4 June 1990*

#### Baltic Republics Expand Economic Cooperation

904A0456A Tallinn SOVETKSAYA ESTONIYA in Russian 7 Jun 90 p 3

[Article by N. Ivanova: "The Baltic Market Is Developing"]

[Text] Within the framework of developing a Baltic market, the food industry workers of the three Baltic republics have signed a jointly drafted concept of cooperation.

In Latvia, for example, there are capacities and equipment for additional processing of sugar beets—50,000 tons for Estonia and Lithuania, and already of this year's crop. Now the neighboring republics will not have to expand their own production. Latvia has also taken on the processing of cocoa beans for the confectionery industry: the partners will receive 6,000 tons of needed semifinished goods each year.

The food industry workers of Lithuania will additionally produce and deliver to their neighbors 1,000 tons of bread kvass concentrate, 1,500 tons of toilet soap, and 2,000 tons of laundry soap each year. Their Estonian colleagues will produce 4,000 tons of confectionery fat and margarine products and 4,300 tons of liquid margarine for retail trade.

"We believe that we can and must cooperate with one another without orienting ourselves only to the East and West," said Valeriy Nefedov, general director of the Latvian "Pishcheprom" Scientific Production Association. "One realistic way to solve the problems of material and technical support of the food production facilities of the Baltic republics is cooperation on mutually advantageous economic terms. This includes delivering certain types of raw materials, placing orders, and creating joint production facilities. Our concept is sort of a strategic plan of actions in the main sectors of the food industry. It is intended for 2-3 years."

**Confusion Hinders Implementation of Estonian Banking Law**

*904A0456B Tallinn SOVETSKAYA ESTONIYA in Russian 14 Jun 90 p 3*

[Estonian Telegraph Agency report: "On Estonian Banking"]

[Text] A meeting of experts in the field of finances and banking in Estonia was held on 12 May at the Ministry of Economics. The purpose was to clarify the status of banking in the republic and to consider how to realistically apply the Estonian Republic Law on Banks.

Bank managers and also representatives of government and science circles expressed their views. The meeting participants were unanimous that the uncertainty and vagueness existing in banking, as in other areas of life in Estonia, are tied to the political status of the Estonian Republic. The republic does not completely control its money circulation and financial transactions. In essence, there are two central banks in operation—the Republic Branch of the USSR State Bank and the Bank of Estonia. The meeting participants were unable to come up with a clear answer to the question of whether the Bank of Estonia had developed a specific program for the transition to its own money—the kroon.

Contradictory opinions were expressed with respect to the Law on Banks. A number of shortcomings in it have been discovered over the course of the meeting. For example, the fact that the chairman of the Council of Bank of Estonia and the president of the Bank of Estonia is one and the same person does not best influence the Bank of Estonia and, through it, all the republic's banking. In sorting out individual problems, it turned out that the law does not work for all practical purposes. They also pointed out the passiveness of the Bank of Estonia in organizing intrarepublic money turnover. The claim by R. Otsason, president of the Bank of Estonia, that the republic would have its own unit of currency in circulation by Christmas was subjected to serious doubt.

In the opinion of Volmer, director of the Agrobank, the Law on Banks is applicable for a stable society. However, it lacks guidance on what to do in Estonia's present transitional period. In the opinion of Gellert, director of the Industrial Bank, the banks of Estonia still have a wide field of activities. In his words, it would be realistic to take control of payments within the republic, and later also between the Baltic republics.

It was emphasized at the meeting that they had not been able to clarify and delimit relations with the USSR State Bank. This depends on the state of affairs between Estonia and Moscow. It was proposed to the Supreme Soviet to restore in the Law on Banks its original principles and to try to find a possibility of supplementing the law with a regulating mechanism for the transitional period. Minister of Economic Leymann expressed the opinion that good cooperation between all banks and specialists in the field of finances would

provide a good opportunity for progress and would help realistically solve problems that have arisen along with the marked increase in the activities of the Bank of Estonia.

Prime Minister E. Savisaar and Minister of Finance R. Miller participated in the meeting.

**Estonian IME Plan Undermined by Budget Deficit**

*904A0456C Tallinn SOVETSKAYA ESTONIYA in Russian 13 Jun 90 pp 1, 2*

[Article by Yu. Khindov, Estonian Telegraph Agency: "Session of the Government"]

[Excerpts] A regular session of the Government of the Estonian Republic was held on 11 June at the Toompea. It was conducted by Prime Minister E. Savisaar.

[passage omitted]

Last year the Estonian SSR Supreme Soviet passed the Law on the State Budget of the Estonian SSR for 1990. As we know, Estonia's transition to the IME [Self-Managing Estonia] was planned for 1 January of this year. Due to circumstances known to the public of the republic, it was not possible to implement it, which was also reflected in the state budget that was adopted. Possibilities of increasing revenue were taken into account when forming the state budget; in particular, changes originating from the draft "Excises" submitted to the Supreme Soviet were also taken into account. The commission on the conservation and re-forming of expenditures of the 1990 state budget made suggestions for finding additional revenue and analyzing the expediency of the expenditures.

As of 1 June, the republic's budget is at 108 million rubles. The budget is weighted down by the need to pay about 60 million rubles as subsidies for meat and milk. If you take into account that about 40 million rubles were paid at the beginning of the year to pay off last year's debt, we have a deficit amounting to 100 million rubles.

Much work was done to increase budget revenues, but so far we have managed to find only an additional 27 million rubles. In the words of Minister of Finance, R. Miller, the state budget for 1991 should become a budget of a state in transition to a market economy in which the appropriate elements of economic regulation are already put into action. According to present plans, this draft will no longer be submitted for approval to the USSR Ministry of Finance.

[passage omitted]

### Lithuania's Strict Control of Economic Activity Criticized

904A0309A Moscow *PRAVITELSTVENNYY VESTNIK* in Russian No 13, Mar 90 p 1

[Article by G. Galakhov, sector director, Department of Territorial Development of the National Economy and Capital Construction, Administration of Affairs, USSR Council of Ministers: "Lithuania: An Attempt at Dictatorship Over Enterprises"]

[Text] "It seems to me that subjecting us to speculative reproaches suggesting that an authoritarian republic apparatus has been created, that the economy is closing itself off, and so on, are no longer appropriate. They are groundless. I wish that for the sake of all of us, one more step would be made toward a democratic union and a Union market."

This was the statement made by USSR People's Deputy K. Prunskiene during discussion of the draft Law on Economic Independence of the Lithuanian SSR and Other Baltic Republics. This was on 24 November 1989. And now I have before me an order dated 15 March 1990 (No 69-r), also signed by K. Prunskiene, but this time as chairman of the Lithuanian Council of Ministers.

According to this order, exporting practically all products out of Lithuania in excess of the volume of state orders is prohibited for the time being, until introduction of licensing and establishment of quotas for associations, plants, organizations and even cooperatives. This includes raw and other materials, industrial products, and edible and inedible goods.

Going further, the order announces the principle of regulation: products may be delivered to other regions of the USSR with regard for progress in fulfilling delivery contracts, and not in excess of the total volume of state orders. What is essentially being created is a closed economic system within the confines of the republic, coupled with dictatorship over the enterprises. Enterprises in Lithuania will no longer be independent producers of goods; their rights are being limited to a greater degree than in other republics. Once again, this is not a step toward a Union market about which words of such passion were spoken from the lofty podium: Instead, it is nothing other than the first step in the direction of limiting the rights of the labor collectives of enterprises. The enterprise is deprived of its right to sign a contract to produce and deliver goods manufactured in excess of state orders. The consent of central republic authorities is required, and in the future the enterprise will be facing quotas and the need for obtaining a license before joining the Union market.

But remember how some Lithuanian economists dreamed of such a market during discussion of the bill on the general principles of managing the economic and social sphere in the union republics! Proposals were even submitted to allocate, by as early as 1990, all of the production increase in comparison with last year to

formation of the Union market, without any restrictions. Yes, USSR Supreme Soviet Deputy K. Prunskiene was probably right back in June 1989 when she said: "The psychology of the two bear cubs attempting to divide the cheese has sunk deep roots in our republic. While they split hairs to make sure that one would not receive more than the other, that the portions would be the same, the fox continues to gobble up the larger share of the cheese." The question that unwittingly arises is this: Who now is the fox, and where have the bear cubs gone? Who is right, the USSR Supreme Soviet deputy or the chairman of the republic council of ministers who signed order No 69-r?

True, enterprise collectives do have a possibility for getting around the rash prohibition and returning to the Union market. It is provided for by Clause 3, Article 9 of the Law on the State Enterprise. But is it worth the effort to take the matter as high as state arbitration, to push through the numerous petitions by which to nullify this act? Might it not be simpler for the Lithuanian Council of Ministers to read through their order carefully once again, keeping in mind the laws of logic and their previous declarations? All of this is of course a matter of conscience for K. Prunskiene and her associates. But besides the moral aspect, there is also the legal one. It was in correspondence with the latter that the USSR Council of Ministers declared the Lithuanian government's decision to be illegal.

### Lithuania's Political, Economic Independence Analyzed

904A0309B Moscow *EKONOMIKA I ZHIZN* in Russian No 15, Apr 90 pp 1-2

[Article by special correspondents M. Panova, P. Korotkov and V. Maleyev: "The Economic Anchor of Political Decisions: Report From Lithuania"]

[Text] We hear a little of just about everything in Lithuania today: a possible economic blockade, a reliance upon military force that is supposedly so typical of "invaders," help from the West as the sole possible hope for the republic, and voices stating the need for beginning negotiations. Many residents of Lithuania and the republic's Komsomol organization are proposing introduction of presidential rule. Everyone understands that the situation must change, but not everyone yet sees that the republic, which has leapt into the raging sea of hasty political decisions, is being steadied by its economy, which, acting as an anchor, is keeping it from setting off on a long, careless voyage, and forcing it to stabilize itself. One could of course lunge forward with total recklessness, but then even the anchor might be torn away, and the ship would sink.

Politics anticipate economics—such was the admission that Vilnius had to hear on several occasions. The government and the Supreme Soviet of Lithuania have already adopted several dozen acts, decrees and orders of various sorts since 11 March. But many frankly refer to them as being only on paper, as being invalid. And how

could it be otherwise, if the decision to secede from the USSR was adopted one-sidedly, in violation of constitutional norms? Any attempt to implement the adopted decisions would carry the threat of open conflict, which in turn harbors the danger of unforeseeable consequences, and it may result in the breaking of existing economic ties. And this would be devastating to the republic's economy.

Take for example the issue of union-subordinated enterprises. It was spelled out in a decree of the Lithuanian Supreme Soviet back on 13 March that all state enterprises, institutions and organizations with union and union-republic subordination are placed under republic jurisdiction. And what does this mean?

"Nothing has changed here," said O. Burdenko, director of the Vilnius Radio Measuring Instruments Plant. "We still feel ourselves to be within the Union, and subordinated to the union ministry. A declaration of the USSR government published in the central press on 20 March states that the status, profile and conditions of the activities of all union-subordinated facilities cannot be changed by one-sided decisions of republic organs. Control of these facilities is exercised directly by USSR ministries. We also received a telegram from our minister stating that possible attempts by republic organs to impose a procedure for approving the directors of union-subordinated enterprises and associations must be decisively rejected as being contrary to law. This is the guideline we will follow."

Understandably in real economic life, the matter cannot be limited for long to a stand-off between documents—such a dead-end situation would necessarily generate real conflicts. Who might be interested in them? By whom are they needed? And where is the solution to be sought?

In the opinion of A. Merchaytis, the deputy economics minister, economic independence in the direct sense is impossible for any country in the world. Lithuania, which does not possess its own raw material resources, will depend in any case on either the East or the West. But as A. Merchaytis noted, politics have assumed the upper hand over economics for the moment. The questions that need to be answered are these: Will the republic's traditional economic ties with regions of the USSR survive, and what prices will be utilized to settle accounts—internal or world prices? With whom should trade and delivery treaties be signed—with the Union as a whole, or with individual republics? Talks must be started on all of these and other questions.

Questions are of course unavoidable, but it seems to us that it would be better to know the answers to them before making a decision on independence. No one disputes the right to it, no one wishes to transgress upon it. What we are talking about is only the legal forms of obtaining this independence, which cannot of course be acquired in violation of the interests of the country and other republics. In the meantime the republic's leadership feels it possible to act otherwise: to adopt a decision

at its own volition and place before the others a *fait accompli*, and should someone not recognize such actions to be legal, he would consequently be an enemy of independence. Thus it happens that one side recognizes for itself the right to make decisions, while the other is left only with the right to carry them out. Interesting logic. And following it, many feel that it is high time for the Union to begin negotiations on economic relations, inasmuch as everything having to do with the matter of state independence is supposedly clear following 11 March. The position of the country's Congress of People's Deputies, the USSR Supreme Soviet and many hundreds of thousands of residents of Lithuania—that negotiations would be possible only after the unconstitutional acts are repealed—is ignored. This position was once again confirmed in the Appeal of the President of the USSR to the People and to the Supreme Soviet of the Lithuanian SSR.

And what do the labor collectives think? We visited the main plant of the Sigma Production Association, the products of which are well known in the country. Eighty percent of its workers are Lithuanians, and the positions of Saiudis are strong. The persons we interviewed—fitters P. Alzhmantas, L. Kostas, K. Gintautas and Ye. Bilyavichyus, spoke passionately: "Only secession, only secession from the Union! This was a good decision." What sort of arguments did they offer most often in the interview? They feel that most importantly, perestroika is not yet producing tangible results in improving the life of workers, the central authorities continue to direct the economy, and without political independence it is also supposedly impossible to have the economic independence which will finally provide the possibility for rapid success. Another argument is this: The plant will part with the union ministry, and without its pressure it will begin to manufacture products which will find customers even abroad.

When things are generally put in this way, all of this sounds attractive. But the question we have is this: At what price will economic independence be acquired, what will allow the economic situation to improve quickly and noticeably? It is of course a good thing to manufacture products enjoying a demand in the world market, but this would also require raising both production procedures and production effectiveness up another notch. The many advantages of a market economy over an authoritarian administrative system, which is habitually berated in the Sigma shop, are possible namely owing to its harshness in relation to workers. Disciplinary violations become intolerable, and the possibility of unemployment and of bankruptcy of unprofitable enterprises appears. A market economy must be prepared for, and the transition to it is not at all painless.

However, we were persuaded that workers do not possess complete information on all of these matters. And where are they about to get it, when Saiudis marched toward victory playing the same old tune, with variations having to do with oppression of national spirit, with occupation,

with insults, and with the necessity of state independence, which is supposed to bring about economic well-being naturally, at no cost?

There are proponents of Lithuania's immediate secession from the USSR who support the adopted decisions in another plant we visited—the radio measuring instruments plant. But another point of view dominates there: Membership in the Union must be maintained, and Saiudis is leading the republic in the wrong direction. "Talking in detail about the economy here in Lithuania has somehow been frowned upon in recent times," said worker M. Shkulepa in an interview with us. "Nor was it discussed seriously at the 20th Congress of the Lithuanian Communist Party, which I had the fortune to attend. Orators in the republic's present Supreme Soviet are trying not to go too deeply into these matters either. Only slogans and political ambitions. We communists who support the positions of the CPSU feel that the decision to secede from the USSR was adopted rashly and unjustifiably."

"I am certain that secession from the USSR would be a damaging step for Lithuania, for all of us," S. Tyashkevich joined the discussion. "It is evident even to us workers that without deliveries of many raw and other materials and equipment from the USSR, Lithuania cannot exist as an independent state. What, then, is the value of the political statements of the leaders of Saiudis?" Workers V. Goncharov, Ya. Sveykauskayte and other plant employees feel the same.

Yes, the actions of the Lithuanian Supreme Soviet are perceived not at all as unanimously as suggested on radio and television and in the local press. Participants of a demonstration attended by many thousands on 4 April at the Supreme Soviet building declared resolute disagreement with the adopted acts of independence, and support for the Appeal of the President of the USSR to the People and the Supreme Soviet of the Lithuanian SSR.

We became firmly convinced from our numerous meetings in Vilnius with workers, economists and business leaders that an objective assessment has not been made of all of the political and economic consequences of the decision on Lithuania's independence. And anyway, is such an assessment possible in the conditions of real information terror, purposeful and constant nationalistic propaganda, and slander of the Union, the party and the historical past, organized by the proponents of Saiudis? Only filtered and processed information that is of advantage to the proponents of Saiudis gets to the viewer, the reader and the listener. Figuratively speaking, a one-way valve has been installed on the media. Many movements and parties are practically deprived of the possibility for getting their position to a wide audience, and for presenting and discussing arguments demonstrating the unlawfulness of the decisions, their thoughtlessness and the shaky grounds of the economic calculations. In that same Sigma plant, it turned out that the subjects of our interviews knew practically nothing about the activities

of the Lithuanian Communist Party in regard to the decisions of the CPSU, or of its assessments of the events.

As far as an independent Lithuanian Communist Party is concerned, it is essentially losing more and more of its independence, being overshadowed by Saiudis. The party is changing its organizational structure, and all former workers of the rayon and city committees and of the Central Committee have been discharged as of 1 April. We looked up the statement written in the workbook by one of those discharged—a worker of a rayon party committee, who at the time of its disbanding decided not to transfer to the independent Communist Party but to remain instead with the CPSU platform: "Discharged as being unsuited to my position in the present stage of perestroika." We don't know how this looks to you, but to us, such statements recall something akin to the infamous practice of barring someone from a profession owing to his political convictions.

The position taken by many party organizations of the independent Lithuanian Communist Party in the matter of depolitization is indicative. The party organizations of a number of institutions and enterprises have abolished themselves. All communists of Lithuania's Ministry of Finance surrendered their party cards. This issue was also discussed in the Gosbank. But there, in the words of party organization secretary M. Mankavichus, the decision was made to keep the party organization. Prime Minister K. Prunskiene also surrendered her party card. On the other hand Deputy Minister of Economics A. Merchaytis feels depolitization to be unsuitable, and he is not about to leave the party.

These matters were discussed in Lithuania in connection with the Law on Parties as well. Its draft was already reviewed in the Supreme Soviet. The draft foresees that parties and political organizations of other states cannot be created in Lithuania, nor may they operate there. The statutes and programs of existing parties must not conflict with the republic's constitution. Many feel that prohibition of activities of the CPSU-aligned Lithuanian Communist Party as "a party of a foreign state" might be the consequence of adopting such a law. But the proponents of Saiudis themselves, and many in our country as well, feel that Lithuania is now leading the rest of the republics in perestroika, and showing the example of a truly democratic legal state. Not all Lithuanians voluntarily support the decisions adopted by the republic's Supreme Soviet; there are also those who have been frightened by moral pressure, and sometimes even by direct threats for holding a different point of view. The Russian-speaking population, in the meantime, has already realized that in an independent Lithuania the role of second-grade people has been prepared for it, it fears for its future, and it hopes for protection from the Union. Some, fearing the consequences, were not always willing to grant us an interview, to give their names or to state their place of employment.

Until recently the temporary Central Committee of the CPSU-aligned Lithuanian Communist Party was deprived of the possibility of publishing its own newspaper. This incidentally is yet another persuasive illustration of that same advertised "democracy." The return of property belonging to the party, including its publishing houses, is declared to be contrary to law, and noisy propaganda is being broadcast in regard to this matter. Today the CPSU-aligned Lithuanian Communist Party has resumed publication of its newspaper SOVETSKAYA LITVA, which will be published in Lithuanian, Polish and Russian. Publication of the journal KOMMUNIST will begin in Lithuanian and Russian as well.

"We finally have the conditions for normal work," believes Lithuanian Communist Party Central Committee Secretary V. Shved. "Today one of the main tasks

of the communists is to inform the population about what is happening in the republic comprehensively and unprejudiciously. The people are suffering from a lack of information, and Saiudis is parasitizing upon the ignorance of the people, and imposing its line."

Might the population's lack of information on the economic consequences of the decisions being adopted by the republic's Supreme Soviet be too high a price? The situation in the consumer market is worsening. In the conditions of political uncertainty the population has begun withdrawing money from its savings accounts, which has intensified the commodity-money imbalance even more. The absence of detailed economic calculations and the economic ignorance of the population are advantageous to Saiudis today. But will the fruits of the sweet hopes for a dramatic economic take-off not be especially bitter as a result of this?

## POLICY, ORGANIZATION

## RSFSR Trade Minister on Independent Development

904D0171A Moscow RABOCHAYA TRIBUNA in Russian 10 Jul 90 p 3

[Interview with P. Kurenkov, RSFSR Minister of Trade, by correspondent I. Baranovskiy: "Treatment by Freedom; Seven Billion Rubles' Worth of Goods Have not been Delivered in Russia's Trade Network This Year"]

[Text] Academician L. Abalkin mentioned once in one of his speeches that the state's policy under market conditions should, he says, be to ensure protection to the weak and freedom to the strong. As the saying goes, if only he were right. For the time being the government program promises us only an increase in prices. Of course, the "weak" have immediately become depressed. What do the "strong" think about all this. For example, the RSFSR Minister of Trade P. Kurenkov?

[Kurenkov] As far back as the beginning of the year we began to estimate how to convert to the market with minimal losses. We worked out a whole stack of documents and consulted with specialists. So it was up to the higher authorities. And nothing happened. Meanwhile, the consumer market is coming apart at the seams and delivery discipline is falling, while all sorts of sanctions simply do not work. In short, delay in this situation is at least irresponsible—a new economic mechanism needs to be launched quickly.

[Baranovskiy] We have already got used to criticisms of the government as a matter of course. Nearly every deputy, delegate, and man on the street considers it his duty to throw stones at it. At the same time there are few who hurry to impart their own specific views. Tell us, does your department have a program for growing into market relationships?

[Kurenkov] Of course. However, to do this a real revolution in the psychology of the managers of commercial services, commodity experts, economists, and trade organizers must occur. We have already developed a strategy for the retraining of personnel. The best specialists of the ministry conduct training seminars which take in people from the trade ministers of autonomous republics to store directors. Such seminars have already taken place in 20 regions of Russia. The next step is the denationalization of trade and public catering enterprises. In my opinion it is one of the chief conditions for the conversion to the market.

[Baranovskiy] The result is that you intend to relinquish state ownership in trade? What do we have in store for us then—the domination of small private shops, small restaurants and small stores?

[Kurenkov] Not quite. For the time being, the following will remain in the hands of the state: jewelry and liquor

stores, the "Beryozka" and "Albatross" stores and outlets that serve foreigners for foreign exchange, and public catering enterprises frequented mainly by school children and students. This list can be augmented by wholesale enterprises and heavy-duty refrigerator plants.

As far as other facilities are concerned, they can choose the form of ownership.

[Baranovskiy] It's easy to say—choose for yourself the form of ownership according to taste. I'm sure that the majority have a very foggy idea of how this can be done. And that's not surprising—there were no such little problems in the textbooks for the political economy of socialism...

[Kurenkov] So one must learn to solve them by oneself. Let's say that it is better to create state-cooperative enterprises on a contract basis. One can give them any form—let us assume, association or concern.

Now let us take collective ownership. Here there also is room for fantasy. It can be an association of leaseholders, a leased enterprise, a joint-stock company, a labor partnership. For example, already 11 percent of our workers now work at leased enterprises. However, such a form of management is still not ownership. I think that many will quickly realize this and will try to buy out the leased property by the revenues obtained. Let's say that the collective of the Belgorod cafe "Turist" has paid the state 200,000 rubles for the working capital. That is, part of the property of this enterprise has become collective. Another example—the leaseholders of the Kirovskiy dining-hall trust of Moscow have issued one million rubles' worth of shares. The money made will go for various production units.

And finally, individual ownership. It is taking shape in accordance with established legal procedure. Mostly through leasing and the buying out of premises, equipment and inventory from local Soviets.

[Baranovskiy] One ought to think that such abrupt changes will inevitably lead to the thorough demolition of the entire structure for the administration of trade. You see, the presently existing trade organizations, trusts, associations have worked on the basis of the centralized planning and distribution of commodity resources. But the leaseholders and emancipated enterprises will soon be doing this themselves. The result is that in time the need for your ministry also will pass.

[Kurenkov] I don't think so. True, its functions will change greatly under the new conditions. Some will be engaged in the development of normative acts and assistance to enterprises regardless of what form of ownership predominates there. Among the other tasks of the ministry will be the defense of the interests of the customers, efforts with respect to the development and introduction of new equipment and technologies, and the type-classification of trade enterprises.

[Baranovskiy] Good. Let us assume that the ministry will look into problems of organization and reorganization. Well, how will prices be regulated? Is it possible that every little store will begin setting them arbitrarily?

[Kurenkov] Everything will depend on the price formation reform. Meanwhile there is a proposal to subdivide consumer goods and producer goods into three groups.

In the first group—bread, meat, dairy products, oil, fabrics, socks. That is to say, vitally important products and items, for which, as before, state orders and a state fixed price will be established. The second group of goods will be sold at so-called regulated prices, which will have its own stopping device—the ceiling. And finally the last, third group. Here the prices are to be unrestricted and free...

[Baranovskiy] Petr Ivanovich, will it not turn out that it will be profitable to sell goods of the third group exclusively? Why, for example, is a boss of a small store going to get involved with any kind of galoshes or rubber boots for which state prices have been set? Would it not be better to buy costly designer [modelnyu] shoes, having supplied them with the appropriate little tag?

[Kurenkov] There is something to think about here. Let's say that the retail price for a good is made up of the wholesale price and the so-called rebate. For us today the latter amounts to seven percent of the cost of a product, and in the West—20-30 percent. This money goes for transport costs, packaging, upkeep of the store, and the wages of the workers. So, since the state sets the prices for the first group of goods, it would be reasonable to increase the rebate to 10 percent.

[Baranovskiy] Really? But in my view, without a flexible system of taxation we can't set up a normal market and can't defend the interests either of the customer or of the businessman.

[Kurenkov] This problem also worries us. Let's say that almost all the goods are brought into the Far North and the Far East from the mainland. The question arises: under market conditions who will take it upon himself to haul them from Moscow to the Kolyma? You see, one will be able to sell the same shoes, curdled milk, and radio equipment easily in a neighboring store. Deliveries to remote regions require extra costs. Who compensates them? Therefore we propose to establish preferential taxation for enterprises which have taken such a load on their shoulders or to completely free them from monetary requisitions.

[Baranovskiy] In short, we have one hope for a republic law, since the USSR Supreme Soviet has already given its verdict on this question.

[Kurenkov] True. We are dissatisfied with the all-union Law on taxation. And here's why: in our opinion, it is designed for an already developed free market when goods and services are in abundance. But, you see, the

real state of affairs is, to put it mildly, different. Therefore we are for B. Yeltsin's suggestion about reducing the tax rate to 35 percent. And it should be possible to cast off another little thing—Russian trade urgently needs to be occupied with its own material base, the construction of new stores and dining halls, warehouses and refrigerator plants. All our revenues are taken away into the state budget... So from what funds do you order us to develop?

And another thing. A market economy is impossible without a strong banking system. The existing one does not justify itself. Under such conditions the state ought to encourage commercial banks, but it only smothers them. Well perhaps it is reasonable—the normative for payments to the budget from profits has been set at the rate of 60 percent. In January we created the Commercial Bank of the RSFSR Ministry of Trade with a charter capital of 100 million rubles and we planned a profit of 3.6 million. We must transfer two-thirds of this sum to the budget...

[Baranovskiy] We are still talking about the market, about prospects that are not so near. Let's return to the sinful world, to the problems which disturb each and everyone. How do you regard the suspension of clearance sales?

[Kurenkov] This is not trade but a distorted form of distribution. Even if its organization is very remarkable and the monitoring of the trade union committee, the STK [possibly Technical Control Service] and the BKhSS (Main Administration for Combatting the Embezzlement of State Property and Speculation) is vigilant, it is impossible to avoid violations and injustices. You see, for the goods it's all the same if everything is short. Therefore the many complaints and criticisms at the organization of guest clearance sales. Such a thing is simply impossible under market conditions. Trade should be free and accessible to any buyer.

## FOOD PROCESSING, DISTRIBUTION

### Armenian Trade Minister Interviewed About 'Empty Counters'

904D0168A Yerevan KOMMUNIST in Russian  
13 Jun 90 p 4

[Interview with Republic Minister of Trade Robert Askanazovich Sukhudyan by V. Zakharyan: "Empty Counters. Why?"]

[Text] We are accustomed to shortages and no one is surprised by the scarcity at counters. But today the stores are not only afflicted with scarcity but with emptiness. Nobody buys anything in stores except for bread and dairy products, for which lines have also begun to form. Except for ancient canned vegetables or some grains (however, frightened by threatened price hikes, the people of Yerevan have begun to briskly buy them up).

What is the cause of this unprecedented food crisis? This question became the main theme of an interview with Republic Trade Minister R. Sukhudyan.

[Zakharyan] This interesting statistic was recently published in a periodical: In accordance with current corrective-labor legislation, it is proposed that each convict receive 650 grams of bread, 450 grams of potatoes, 200 grams of vegetables, 110 grams of grain, 85 grams of fish, 50 grams of meat, 20 grams of sugar, etc., per day.

Tell me, if we repudiate market services, will State trade be in a position to guarantee such a daily menu to free citizens?

[Sukhudyan] In other circumstances I would consider that question to be a joke and would reply in the same tone. But today I quite seriously answer it. As far as fruit and vegetable products are concerned, Republic Gosagroprom [State Agroindustrial Committee] manages their distribution. Bread, grain, fish, and sugar (by [ration] coupon) are on store shelves. As for meat, we are really in no position to reach even the miserly figure you named. Why?

In order to more completely answer that question, I must say a few words about the existing distribution system in this country. It has been carried out in accordance with the principle of vertical relations for many years. Everything is drawn to the center and is distributed from there to the republics and regions in accordance with All-Union delivery policy.

Direct ties between them were completely absent and deliveries to the All-Union fund were often made to the detriment of the suppliers themselves. But nevertheless, the established structure has provided definite stability to the food supply especially of those regions that receive the majority of their products through subsidies.

Unfortunately, Armenia is among those republics. I will cite a few figures. We acquire from the outside about half of the meat we consume (66,000 tons), 46,400 of the 46,700 tons of butter, all sugar, 37,000 tons of grain, 7,000 tubes of preserved fish, all of the raw materials used in the production of flour and bread, and 1,085,000 tons of dairy products.

Thus, for the time being, our counters directly depend on All-Union levels, rates of distribution, and road conditions.

I will not analyze the causes which gave rise to and multiplied this dependence within the confines of this interview, especially today's intolerable scarcity of markets for foodstuffs inside our own Republic. This is a theme for another, more detailed discussion. But, in any case we all decisively sense the consequences of this and today the question is: Must we develop and strengthen our own food base in every possible way? And there is only one answer: There is simply no other way.

[Zakharyan] Just what has changed in the centralized distribution structure that has developed?

[Sukhudyan] What has occurred is what was inevitable under current conditions. The structure is breaking up and the center is losing its dictatorial powers. While striving for economic sovereignty, republics and autonomous [regions] are first of all striving to provide for the needs of their own populations. The Baltic republics have already started down the road of refusing deliveries to the All-Union fund. The Ukraine and Belorussia have noticeably cut back on meat deliveries. For example, in the first quarter of this year the Ukraine should have sent us 15,000 tons of meat. We have in fact received less than one-half of that amount.

Delivery of both domestic and imported butter is adequately stable for the time being. I stress this in order to refute the rumors which have sprung up that the monthly oil distribution standard will be reduced.

Coffee became a "satisfactory" product this year. We received significantly more of it than in the past, 6700 tons, of which 2100 [tons] were roasted.

But despite these separate "advances," I will state once again that the food supply situation in the country is very complicated. It is true that for the time being we are successfully substituting foreign suppliers for internal-union ones in the event of a delivery refusal. But I repeat, the situation is complicated. It will become even more complicated with the transition to a market economy and with the introduction of free pricing and it will remain so until the domestic market becomes sufficiently saturated.

Horizontal ties, though still weak, have already begun to operate and several republics are making direct contacts. At times they take the form of barter. In particular, not long ago Belorussia offered us butter in exchange for mineral water. We declined this offer for a number of reasons. But there are others. And although barter is unreliable and even an obstructing path to a market economy, we should be ready to do it in isolated instances.

[Zakharyan] To what degree are we ready?

[Sukhudyan] We have already talked about them. I reply again and more specifically. For example, let us take cheese, without which practically no Armenian table can manage. Today that product has completely disappeared from store shelves. The population is justified in asking, we really produce all cheese ourselves and we are not dependent on any suppliers. What is the cause of the acute shortage?

During the first quarter, sales [organizations] received 1,216,000 tons of cheese less than it should have from producers, since plants fulfilled 76 percent of their quotas.

They also did not fulfill the quarterly meat production quota. Local production has been sharply reduced

instead of being increased while considering the situation that has developed. During three months of last year, 16,100 tons of meat were produced and 13,100 tons [were produced] this year.

Today as never before, we clearly and visibly see and daily sense the direct relationships between all spheres of our economy. Indeed, we have never become so acutely convinced of how the Republic's agricultural crisis has painfully struck store shelves, having impoverished it to the limit.

With the transfer to real economic sovereignty, we will still more keenly sense this relationship and if the Republic's new parliament does not force the Laws on Land, Leasing, and Property to start working in the near future, the food supply situation will become even more complicated.

And we should not forget Armenia's very unfavorable geographical position that condemns us to permanent transportation dependence, thus complicating the possibility of establishing direct relationships with the country's various regions and with foreign nations.

The blockade, whose last round lasted 72 days and which inflicted enormous economic damage upon us, must become a bitter lesson from which we need to make conclusions and as quickly as possible.

[Zakharyan] Reduction of transportation dependence to a minimum for the free entry and exit of goods is a task that naturally is extremely important. But first of all we need to have the goods.

Today our stores are empty and at times it even occurs to us: Do we need to always have this number of stores, do we need to support an entire army of idle salespeople, and do we need to occupy an enormous area with empty warehouses and refrigerators? I am interested in what you as head of the Ministry of Trade think about this?

[Sukhudyan] I think that not only the centralized distribution structure but the entire system of organized commerce is obsolete and it will inevitably collapse.

Why does the state support empty stores? Would it not be more advantageous to sell little stores, stalls, pavilions, cafes and snack bars to collectives or private citizens, even using auctions to do this?

Medium-size and sales volume facilities are being converted to leasing. With time and after complete payment of the value of the lease, they will become the leaseholders' property.

Large stores and wholesale depots (with the exception of refrigerators) are more advantageously turned into joint-stock companies and store workers themselves are granted a priority right to acquire stock.

The state may also be a shareholder and thus share in the enterprise's profits.

In my opinion, we need to have commodity exchanges and a broad network of sales and production associations.

[Zakharyan] But you are not afraid that similar radical reconstruction will reduce all Ministry of Trade functions "to nothing" and raise a practical question about its expediency?

[Sukhudyan] No, I am not afraid. Moreover, I think that the majority of the ministry's functions hardly conform to its primary purpose. For example, we are even engaged in the distribution of thimbles and sewing needles. We are convinced that we should not be engaged in distribution especially under market economy conditions. This is a matter for the manufacturers themselves. Essentially we are to a lesser degree repeating the central distribution apparatus model that we have criticized. Our department's functions should primarily be reduced to, if you like, strategic tasks: to develop a trade network, to determine the market situation, to discover shortage hotbeds that have formed, and to devote every means toward their elimination.

[Zakharyan] Robert Askanazovich, you cited many reasons for the food crisis that has arisen. But these reasons should objectively impact the supply level to all categories of the population. However, we see that our fellow citizens' tables greatly differ from each other.

[Sukhudyan] Do not think that I am avoiding answering your question. First, I simply want to determine one more cause for the shortage that is eroding the distinctive quality of [our] national character. Many years of wandering in a strange land and countless losses instilled in us some kind of permanent genetic uncertainty in tomorrow. Hence the urge to provide for ourselves to excess. While Minister of Fruit and Vegetable Agriculture, I learned the following information: We are first in the world in demand for fruits and vegetables and in the quantity of unused wastes of these products.

And how much bread, rolls, and enormous amounts of all kinds of foods that were prepared for storage do we throw away.

That is why we fear even a single day's disappearance of any kind of product from store shelves. A mass panic immediately begins and an already long, protracted shortage drags on.

The fact that people have much accumulated money at hand facilitates purchases of a great number of commodities, both food products and manufactured goods but demand exceeds supply. The gap between supply and demand has already reached several billion rubles.

The population's purchasing power is very great. Despite the increase of deliveries, we cannot currently eliminate the shortage of matches, synthetic detergents, or household soap. During the first quarter of this year, we received 3,100 more tons of detergent than last year. But they are not being individually stocked as before.

Because people are buying them wholesale by the case. Therefore, not everyone has access to them.

This is a partial answer to your question about the causes of unequal supply. There is a category of our population that officially takes advantage of a privilege: they are veterans and disabled veterans of war and labor and the chronically ill, diabetics in particular.

But there is a definite portion of the population which, taking advantage of individual sales workers' dishonesty, obtains products in short supply from under the counter.

A shortage is a danger when it gives rise to such phenomena as speculation, intrigue, and various deals on a massive scale and it leads to still greater deprivation of the low-income strata of the population.

I must say that recently the so-called speciality stores have been completely closed down. We are sending an extremely limited number of delicatessen items that are arriving in the Republic to restaurants so they do not end up in the sales network.

Incidentally, since we have begun talking about high demand items, I want to express my negative attitude toward the Yerevan Party Gorkom [city committee] initiative on the distribution of these goods to enterprises and organizations. According to our data, this act exponentially multiplied the number of speculators in shortage item who have now gained unimpeded access to shortage items.

[Zakharyan] I am ready to argue with you here since rank and file workers do not have any way to fight the hidden shortages mentioned. This is our only opportunity to purchase a good item at its actual price. Provide us with a better way and we will use it with pleasure.

Incidentally, judging from letters to the editor, I will note in passing that the majority of our readers are firmly convinced of social inequality in the distribution of products and insist that the party-state apparatus continues to enjoy definite privileges under severe shortage conditions.

Nevertheless, is the food problem at an impasse or is there light at the end of the tunnel?

[Sukhudyan] Borrowing your terminology, I will say this: everything depends on the mobility and maneuverability of the rolling stock and on the skill and responsibility of the engineer. If we manage to use all capabilities of local resources and saturate internal markets, if we manage to acquire advantageous direct ties in a timely manner, if we begin to master all forms of property boldly and with enterprise and we become active and reliable partners for others, we will achieve our goals.

One more thing, and the most important, is that the tasks that we assign ourselves should be realistic. It is time to free ourselves of numbers hypnosis.

Here is an example. This year, the Republic's directive organs have stipulated a nearly 12,000-ton increase in the production of poultry using local resources to resolve the meat problem. The figures have been set but how will they be realized with a shortage of mixed fodder, unstable transportation operations, and a host of other problems?

Today we are just feeling for and defining a path to the market. The old methods and stereotypes with which we "successfully" arrived at the crisis should be decisively discarded.

The laws of the market economy are sufficiently strict. We must know how to feed ourselves and we must count on our own energy, enterprise, and competitiveness.

## FUELS

### Oil-Gas Minister on Sector Performance

904E0096A Moscow NEFTYANOYE KHOZYAYSTVO  
in Russian No 4, Apr 90 pp 3-9

[Article by USSR Minister of Petroleum and Gas Industry L. I. Filimonov: "The Sector's Key Problems"]

[Text] The most important task of all industrial sectors in the present stage is to implement the program to rehabilitate the country's national economy, drawn up by the government and approved by the Second Congress of USSR People's Deputies. What our society will become will also depend to a decisive degree on how the changes in the economy go, and what their nature will be.

The oil and gas sector, one of industry's basic ones, has a large role to play. It will be important for us in this time of such great economic complexity for our country not only to summarize the results of our work in the past year and determine the goals for 1990, but mainly to evaluate the real possibilities of the sector for dependably supplying the country's national economy with crude hydrocarbons in the future five-year plan, and to develop a unified systems approach to the problems of rehabilitating both the sector as a whole and every enterprise taken separately in economic, social, moral and psychological respects.

The past year was difficult for oil and gas industry: The sector fell short by over 13 million tons of oil deliveries to the country. And this is despite the fact that most of the sector's labor collectives worked stably. It should be noted that oilmen displayed high civic consciousness in the country's time of difficulty. The oil fields and enterprises worked practically without interruptions, and 32 associations surpassed the extraction plans by 75 percent, providing an additional 5.1 million tons of oil. The greatest contribution was made by the collectives of the Yuganskneftegaz (935,000 tons), Surgutneftegaz (787,000 tons), Tatneft (780,000 tons), Bashneft (481,000 tons), Kuybyshevneft (217,000 tons), Uzbekneft (52,000 tons), and many other production associations in which the executives, public organizations and technical supervisory services reached a correct understanding of the situation and made a systematic effort to ensure high labor productivity.

Unfortunately, not all were able to meet objective difficulties with coordinated, efficient work. In many collectives, the moral and psychological climate worsened significantly, social tension intensified, and labor and production discipline dropped. Work quality fell sharply at all levels.

The sector's overall shortfall was caused chiefly by the unsatisfactory work of the collectives of the Varyegan-neftegaz, Nizhnevartovskneftegaz and Purneftegaz production associations, which were short in their deliveries by more than 14 million tons of oil. Mistakes in evaluating the resource base doubtlessly played a negative

role, but at the same time it must be recognized that a significant part of the losses are associated with the level of organization of the work. A competent engineering approach was not taken to developing organizational and technical measures associated with oil extraction, responsibility for implementing these measures was diminished, and as a consequence the work indicators worsened in many directions.

A total of twelve associations and 34 out of 138 petroleum and gas extraction administrations were unable to fill their state orders for oil extraction. Besides the Glavyumenneftegaz collectives mentioned above, the Tengizneftegaz, Azneft, Kaspmorneftegaz, Arktikmorneftegazrazvedka, Stavropolneftegaz, Tadzhikneft, Kirgizneft, Tatneftebitum and Chernomorneftegaz production associations were short in their oil deliveries.

There are both general, objective laws and purely specific ones at the basis of the shortfall of these collectives. Among the former the collectives name extremely unreliable material and equipment supply and a disbalance between production and allocated resources. Are things so in fact? The facts show that success depends in many ways on the way the work is organized. Examples can be found in the work results of Surgutneftegaz and Nizhnevartovskneftegaz, which operate in identical climatic conditions and in equivalent mining and geological conditions. The former increased its oil extraction by around 800,000 tons, while the latter had a shortfall of 1.2 million tons of oil. It should be considered, however, that the relative availability of the principal forms of oil field equipment and resources is significantly higher at the Nizhnevartovskneftegaz Production Association than at the Surgutneftegaz Production Association (1.3 times more pump and compressor piping and drilling rods, 2.5 times more Christmas trees and 3 to 4 times more pumping units).

A number of associations were unable to fulfill planned organizational and technical measures.

In this connection the sector was unable to carry out tens of thousands of necessary treatments of bottom-hole zones, over 2,300 wells are idling for excessively long periods of time, and the number of wells not placed into operation is growing. All of this is producing irretrievable economic losses. As an example, it takes more than 200 million additional rubles to build new oil wells equivalent in extraction capabilities to idling wells, and the same amount has already been spent to drill wells that are still on the balance of drilling operations administrations. Utilization of these reserves would make it possible to increase daily oil extraction by 25,000-30,000 tons sector-wide.

The mistakes that have been made, and primarily in the engineering service, need to be corrected quickly, including by the ministry's administration as well.

In 1989 the sector failed its drilling plan for the first time in many years (the drilling shortfall was 340,000 m).

Moreover, the drilling that was completed was 1.3 million m less than in 1988. Naturally this produced a decrease in capital investments into drilling operations in the second half of the year, and shortcomings in material and equipment supply, which brought about a reduction of 46 drilling brigades in the sector as a whole.

At the same time, the sector surpassed the target for finishing construction of wells by 300 units in the complex conditions of 1989. This helped to reduce the number of unfinished wells, to make their construction less expensive and to tighten up the norms for consumption of material resources. Unfortunately such business-like care and responsibility was not displayed everywhere. Fifty out of 124 drilling operations administrations were unable to complete the drilling plan, while many drilling collectives still remain profitable, which is an indication that the estimated cost of a meter of drilling distance is inflated (it exceeds the actual cost of operational drilling in the sector by 18 rubles). The economic conflicts between drilling operations administrations and petroleum and gas extraction administrations grow deeper as a result, and work coordination is disturbed at the association level.

The "failure" in capital construction had a significant influence on the results of the sector's work: Not one of the targets set for 1989 was met, and besides that, all indicators dropped relative to the level attained in 1988. Start-up of new facilities at the Tengiz and Kumkol deposits was not supported, the state order to place the Tengiz-Guryev-Astrakhan-Groznyy and Shevchenko-Zhetybay oil pipelines into operation was not filled, introduction of gas refining capacities at the Krasnoleninskiy gas refinery and gas compression capacities at a group of plants in Western Siberia was delayed, and capacities were not introduced at the Vygapurovskaya and Varyeganskaya compressor stations.

Weakening of the attention of enterprise and association executives to implementing the social program elicits especially great concern. The shortfall in placing facilities into operation in 1989 was 308,000 square meters of housing, children's nurseries with a capacity of 3,000 children, schools with a capacity of 530 students, hospitals with a capacity of 405 beds, and polyclinics with a capacity of 1,000 visits. The work done by the Tengizneftegaz, Krasnoleninskneftegaz, Purneftegaz, Varyeganneftegaz, Azneft and Kaspmorneftegaz production associations to place nonproductive facilities into operation was extremely unsatisfactory.

Citing the decisions of labor collectives, many executives reduced previously agreed-upon volumes of construction of housing, cultural and personal service facilities, and rather than meeting their targets, they make an effort to reduce the plans, tailoring them to what had actually been accomplished.

Under these conditions, failure of self-help construction programs is entirely impermissible. The greatest shortfalls were permitted here by the Tomskneft, Yuganskneftegaz, Kaspmorneftegaz, Komineft, Sakhalinmorneftegaz and other production associations. With this kind of an attitude, we will not meet the objective of providing a separate apartment to every family by the year 2000. We need to sharply increase our own industrial construction base.

How is the sector's work coming along under the conditions of the new economic mechanism, to which the sector switched two years ago? It has not as yet become a real driving force in the struggle for oil. As was mentioned above, the oil extraction plan was not fulfilled, commodity production was 170 million rubles below the plan, and the level of fulfillment of contracted obligations decreased to 99.2 percent. Of course, the number of subsidized enterprises decreased to 13 as compared to the 19 called for by the five-year plan, and the total planned losses were decreased by 40 million rubles.

The profit plan was surpassed by the sector as a whole. Profits in excess of the plan were more than 310 million rubles, including 5.2 million rubles in industry, 60.2 million rubles in drilling, and 245.1 million rubles in all other forms of activity.

It must be emphasized at the same time that the profit plan was surpassed in the other forms of activity more as a result of mistakes in determining the planning prices and costs than as a result of any real savings in outlays.

A number of collectives suffered losses in excess of the plan, and significant penalties are still being paid.

Several associations began 1990 with a shortage of internal working capital, and some were discovered to have made serious violations in determining estimated cost when compiling planning estimates. All of this attests to weakening of the financial and economic work of the sector's associations and enterprises.

Preparation for work in the conditions foreseen in property, leasing and taxation laws currently being drafted has priority significance in the present stage. Our basic premise is that oil and gas extracting associations that are structural formations of the sector and which are part of the fuel and energy complex must be state enterprises. However, this premise does not preclude introduction of progressive forms of cost accounting and leasing relations. Such work is already being initiated in the sector. Large collectives such as the Tatneft and Tomskneft production associations, geophysical associations, main-line transport and workers' supply enterprises and a number of scientific-production associations and institutes are now working on the basis of the second cost accounting model and on a leasing basis.

We feel that production and scientific-production associations, which have justified themselves in the most complex periods of the sector's work, should remain the

sector's principal production unit. They must develop and grow stronger. Efforts to improve the structure of associations must be continued.

The matter of oil and gas prices remains of fundamental importance in the sector.

USSR Council of Ministers Chairman N. I. Ryzhkov stated at the Second Congress of USSR People's Deputies that many shortcomings in the operation of the national economic complex cannot be surmounted if the old price system is retained. It was emphasized in this case that the price-setting reform should primarily promote growth of production effectiveness, economical utilization of material resources, acceleration of scientific and technical progress, and a convergence of domestic prices with the structure of prices on the world market.

All of this is fully applicable to the situation that has evolved in petroleum industry.

The extremely low prices in force today (30 rubles for a ton of oil and 7-11 rubles for 1,000 cubic meters of petroleum and by-product gas respectively) cannot ensure effective operation of associations and enterprises under self-financing conditions. As a result, the sector continues to receive significant capital investments from the budget. Given significant growth of the cost of drilling and oil field equipment and other types of materials, this process will grow, which will undermine the cost accounting work methods of the enterprises.

The ministry feels that if the sector is to work stably, in correspondence with the requirements of full cost accounting and self-financing, we will have to establish new oil prices not below 85 rubles per ton and gas prices not below 25 rubles per 1,000 cubic meters.

After the sector becomes truly independent economically, it will be easier for the enterprise and organization collectives to solve social problems. Today, as we know, one of the causes of social tension in oil and gas extracting regions is the worsening supply of food and basic necessities; however, not all of the possibilities are being utilized in this direction by the sector's enterprises and associations themselves. Thus while the Komineft and Tomskneft production associations produce over 30 kg of vegetables annually per worker in their own greenhouses, the Nizhnevолжskneft, Orenburgneft and Embaneft production associations produce only 2 kg.

While sovkhozes and subsidiary farms produce 16 kg of meat and 47 liters of milk per worker on a sector average, the Azneft, Embaneft, Uzbekneft and Tadzhikneft production associations, in which the level of social tension is high, produce less than 5 kg of meat and milk per person.

Nor is the state of affairs anywhere near favorable in these matters at enterprises in Western Siberia. There has been a chronic failure here to meet the targets for construction of greenhouses, in which fresh vegetables

could be produced with minimum outlays, considering the presence of the large network of boiler plants, compressor stations and the surplus of gas.

I would like to dwell on the problems of creating healthy, safe working conditions. Besides the great tragedy near Ufa, of which we became the unwitting culprits, we were responsible for major accidents involving loss of human life and significant material losses at the Gnedintsevskiy gas refinery of the Ukrneft Production Association and at the Minnibayevskiy gas refinery of the Tatneft Production Association. People are dying in traffic accidents. The material losses caused by fires surpassed those of 1988 by a factor of two. However, despite the punishments, executives of a number of the sector's associations, enterprises and organizations are not taking effective steps to prevent accidents and injury, and they are failing to monitor fulfillment of the prescriptions of inspecting organs. All of this inflicts harm in both ecological and moral respects as well.

Because of growing complexity of oil extraction, difficulties in material and equipment supply, limited capital investments, slow solution of social problems and interruptions in supply of basic necessities, people are losing confidence in tomorrow, and there is no clear idea as to the prospects for development of collectives and of the sector as a whole.

Under these conditions, we must clearly explain that petroleum industry possesses the necessary resource base for certain fulfillment of the program of the 13th Five-Year Plan and for stable operation in subsequent years. As before, Western Siberia, which is to contribute up to 65 percent of unionwide oil extraction, will remain in first place. This will require developing up to 90 new medium and small deposits with rather complex geological characteristics, which will in turn require colossal volumes of drilling and preparatory operations, and major investments into making the oil fields ready for operation. We need to think right now about stabilizing oil extraction in this region, and intensify attention to social and economic problems.

The first direction is to significantly increase our efforts to intensify petroleum extraction at operating deposits. Unfortunately, Siberians are not devoting enough attention to the problems of raising the oil yield from the beds and to treating bottom-hole zones, feeling that all of this is expensive and troublesome. The psychology of executives must be changed.

Hydraulic fracturing of formations, new methods of increasing the oil yield and wave technology should significantly increase oil extraction and ultimately ensure an economic impact.

Sector science is doing little to help producers accomplish such a reorientation. At the moment the proportion of oil obtained by new methods does not exceed 1.5 percent in the sector as a whole, and it is even lower in Western Siberia.

The second direction is to make fuller use of other promising oil and gas extracting regions of the country—for example Kazakhstan, where huge sector enterprises have been established. The region's resources offer some hope. At the same time Western Kazakhstan's deposits are distinguished by an extremely complex structure of crude hydrocarbon formations, abnormal pressure, and a high concentration of sulfur and carbon dioxide. This requires development of new procedures and unique equipment, and a fundamentally new organization of the work of extracting, collecting, preparing and refining hydrocarbons. Environmental protection problems require special attention. All of this was confirmed during development of the Tengiz deposit, where many mistakes were made in starting up the first production line. Absence of a unified systems approach to developing the deposit led to significant mistakes in design decisions, in training personnel, and in creating the region's social infrastructure in time. Problems concerned with dependable energy supply and the transportation system were not completely solved. The situation is made more complex by the forced orientation on foreign procedures and equipment. If objective factors have made the work difficult in many ways at the Tengiz deposit, at the Kumkol deposit it is hard to find any justifications for the failure to place it into operation on schedule. Mistakes made by the KazNIPIneft research institute, the openly sluggish work of the Mangyshlakneft Production Association, mistakes made by the Glavtransneft and absence of start-up facilities prevented extraction of 300,000 tons of available oil.

The location of Buzachi oil is a serious problem, one which grew even more acute in 1989. The solution is to build a refinery right on Buzachi Peninsula based on imported equipment, and to finance its construction with hard currency from the sale of this oil for export.

Deposits of the Embaneft and Aktyubinskneft production associations, which have a good future before them, require activation in all directions.

Thus Kazakhstan is essentially the second most promising region after Western Siberia. We can raise its potential only by concentrating the efforts of all sectors and relying upon the assistance of the country's entire national economy.

Deposits of the Komi ASSR contain large confirmed reserves. Last year this regions' oilmen extracted 15.5 million tons of oil, including 300,000 tons in excess of the plan. However, deposits of the Komi ASSR and Arkhangelsk Oblast also have their unique features: permafrost, a severe northern climate, and high-viscosity oil. It is believed that it is hard and expensive to extract oil under such conditions. However, when the problem is approached from an engineering point of view and subjected to economic analysis, the conclusion is that the risk of work in the North is no higher, and that it is even significantly lower, than in the unusual deposits of Kazakhstan. What we need are an active search for new

technical concepts and procedures, and greater effectiveness of the work of the Nefteotdacha Interbranch Scientific and Technical Complex, the Soyuzneftepromkhim Scientific-Production Association, the PechorNIPIneft research institute, and the proving ground for thermal processing methods—the Komitermneft Petroleum and Gas Extraction Administration.

Such forces could solve the problem of increasing the oil extraction volume.

Significant oil reserves exist in Eastern Siberia. At the same time, work was slow to begin in the current five-year plan, chiefly once again due to the supposed high cost of oil extraction. Now the conception for developing this new oil and gas extracting region has been determined. A sizable volume of work must be accomplished with the participation of the USSR Ministry of Construction of Petroleum and Gas Industry Enterprises, the USSR Ministry of Power and Electrification and the USSR Ministry of Transport Construction.

It is extremely important to ensure adoption of economically justified decisions in the new region, and to prevent gigantomania—that is, the antispending mechanism must be put completely into operation from the very first days.

Unfortunately, many of our collectives do not ensure a real businesslike approach to utilizing money and resources, which is clearly evident in the planning stage. In 1989 a sector expert commission found that the estimated cost of over 300 designs, feasibility studies and technical and economic calculations was overstated by 700 million rubles, and even more in relation to certain designs. Thus costs were overstated by 25 percent in the plan drawn up by the State Institute for Planning and Research in Petroleum Extraction Industry for outfitting the Lazarev deposit. This same institute is drawing up documentation for development of the Verkhne-Chonskoye deposit in Eastern Siberia. Plans drawn up by the SurgutNIPIneft, Giprotyumenneftegaz, KazNIPIneft and other institutes suffer from similar deficiencies.

Let us dwell on the prospects of the old regions. A natural process of declining extraction volumes is going on in many of them, resulting in an outflow of highly skilled personnel. All efforts must be applied in order to keep them in the sector. Experience of doing so exists, such as with moving Tatar and Bashkir oilmen to Western Siberia, together with their great experience, traditions and high production excellence. Why shouldn't oilmen of Stavropol, the Ukraine or Belorussia not follow their example? There is work to be done, after all, in Arkhangelsk and Irkutsk oblasts, and in other regions. New deposits need to be developed comprehensively, which is where the future of collectives lies.

A mass of problems have accumulated in collectives working on the shelf. The Kaspmorneftegaz and Chernomorneftegaz production associations failed their

extraction plan for various reasons, extraction was mothballed on Kolguyev Island (Arktikmorneftegazravvedka Association), and the Sakhalinmorneftegaz Production Association was operating on the brink of failure. At the same time the prospects for work at sea are good; this pertains primarily to the Caspian region. It is important to ensure ecologically safe working practices here, and to solve the problem of sinking wells to depths greater than 200 m. Hopeful results were attained in the Pechora Sea, where an inflow of 200 tons of oil per day was accomplished at a sea depth of 25-30 m. Gas deposits have been discovered on the Arctic shelf.

When we draw up the plan for the next five-year period we need to clearly determine the real possibilities of the shelf, with regard for limited capital investments allocated to the sector.

Given the high cost of operations on the shelf, the dependability of geophysical information acquires special importance. The sector's geophysical service has accumulated sufficient experience on land, and it has achieved positive results in the Caspian, Barents and Kara seas. However, the pace of the work is being held back by the unsatisfactory availability of modern computer equipment and the low power-to-worker ratio in marine geophysics. We hope that the association of geophysical organizations created in the sector will be able to solve the entire complex of geophysical problems more extensively.

Such are the basic prospects for development of petroleum extraction.

A high rate of oil extraction based on accelerated introduction of numerous new extracting capacities and the need for maintaining the operating characteristics of the growing pool of operating wells require significant material resources. Petroleum industry receives much support in these matters from the government, and it enjoys a certain priority. However, we are experiencing an acute shortage of a number of the most important types of equipment and materials. Just the Baku plants of the USSR Ministry of Heavy Machine Building fell short in their deliveries last year by 1,810 Christmas trees, 1,337 pumping units, 3,134 tubing tongs, 709 casing heads, and so on.

It has become obvious that without our own developed machine building base, we will not solve the problem of reequipping the sector and supplying it with materials and equipment. Of course, plants such as Uralmash, Barrikady, the Sumy Association and others must fulfill their obligations to the oilmen. However, we need to manufacture turbodrills, tools, drilling tongs, certain types of Christmas trees and valving, packers, transportation resources and other equipment ourselves, in the needed quantity and of the required quality. For this, we need to fundamentally rebuild existing production operations and build new ones outfitted with modern equipment and production processes, and staffed by highly skilled personnel.

The question many ask is this: Is there any sense in spending a great deal of money, primarily hard currency, to develop our own machine building? There is. Otherwise, we will be unable to rehabilitate our oil economy.

Major machine building enjoys a monopoly in the present stage, and it has the right to select advantageous clients for itself. Twenty to thirty percent of the products needed by oilmen are provided on the basis of state orders, while the rest are provided on the basis of contracts.

Besides that, petroleum industry is developing extremely dynamically, in connection with which the quantity of equipment and its modifications are changed frequently, at the same time that its manufacture and preparation of the corresponding technical documents require 7-8 years—that is, there is no room for maneuvering. At the same time, our own machine building must take responsibility for a larger part of the production of consumer goods, and of needed, complex, technologically sophisticated goods.

One of the most important directions in the activities of the sector's enterprises is observance of the strictest economy, active work with suppliers on the basis of direct ties, and a businesslike search for ways to utilize our own possibilities for relieving the burden of resource support. However, there are serious shortcomings in efforts to economize on raw and other materials. The sector's Economy Program is not being carried out in many of its aspects, existing reserves are not being utilized, secondary resources are not being revealed and utilized sufficiently, a careless attitude toward storage and use of material valuables is being permitted, and growth of the volume of uninstalled equipment and of its excessive stockpiles is continuing. As of the beginning of October 1989, the value of uninstalled equipment that has been accumulated was almost 400 million rubles, including 130 million rubles' worth in excess of the standard. Thus the surplus equipment of the Kasp-morneftegaz Production Association exceeds a worth of 13 million rubles, that of Komineft exceeds 3.2 million rubles, and that of enterprises of the Glavtransneft is 3.6 million rubles. Even so, the collectives of these enterprises are stubbornly requesting new resources.

While they complain of shortages, a number of collectives sell their materials and equipment to cooperatives, sometimes for next to nothing.

Great also are the losses of oil during production, which in 1989 were almost 3.4 million tons—that is, a quantity equivalent to the annual extraction of associations such as Saratovneftegaz and Stavropolneftegaz taken together.

Use of petroleum gas remains a large problem. Good preconditions for reaching the planned levels of gas recycling were created in late 1988 and early 1989, but the tragedy on the petroleum product pipeline leading from Western Siberia to the Urals and the Volga region brought about a decrease in the gas processing volume,

going as far as shut-down of gas refineries, due to violation of the procedures for transporting refined products. The need for burning off significant volumes of gas has appeared once again, which has in turn sharply worsened the ecological situation in a number of cities and workers' settlements, especially in Nizhnevartovsk.

The Nizhnevartovsk - Yuzhnyy Balyk petroleum product pipeline has now been placed into its operation after reconstruction. It had been placed into temporary operation during repairs on the section of the pipeline extending to the Tobolsk petrochemical combine. This made it possible to raise production and sales of ShFLU [expansion unknown] by Western Siberia to 85 percent of the level prior to the accident. A decision to develop petroleum product pipeline routes from Western Siberia to Tobolsk, Perm, Chaykovskiy and Minnibayev has been prepared.

A shortage of motor fuel is having an unfavorable influence on the work of the sector's enterprises. Many associations, and chiefly those in Western Siberia, find themselves in a critical situation. Much fuel is wasted in empty runs and due to the low coefficient of use of motor transportation. One of the ways to rectify the situation is to implement the adopted program to replace petroleum-based motor fuel with gas fuel, and to produce diesel fuel within the associations themselves, at the oil field facilities. Experience of doing so already exists in the Purneftegas Production Association.

It should be emphasized once again that many problems of material and equipment supply can be solved by finding our own reserves and carefully utilizing existing resources.

We need to enhance the standards base used in determining the need for resources. Unfortunately, many enterprises are still holding onto the wasteful habit of placing orders for materials and equipment in advance, and then refusing delivery on the basis of various excuses.

Besides this, certain associations are observed to maintain a passive position in the matter of utilizing allocated funds, and to exercise their priority rights listlessly. Thus associations of the Glavyumenneftegaz underutilized oil-well cement by 34,000 tons, while the new Neftegazmash Concern underutilized 10,000 tons of rolled metal.

The material and equipment supply situation will be complex in 1990, which is why every petroleum and gas extraction administration, drilling operations administration and association executive must make the appropriate conclusions.

Oilmen await the fastest possible fulfillment of the programs for the sector's reequipment from the machine building complex. However, we feel that besides this, sector science must make its own substantial contribution to finding nontraditional technical concepts and developing fundamentally new models of oil field and drilling equipment and production procedures. We will

not solve the problems of intensifying sector production unless scientific research, planning and design organizations lay the necessary foundation.

The sector basically met the planned level of the indicators of scientific and technical progress in 1986-1989: The effectiveness of geological explorations increased by a factor of 1.5; the annual drilling distance per drilling rig increased by a factor of 1.3; oil extraction employing modern methods of raising the oil yield from the beds grew; the time of well operation between repairs increased from 200 to 306 days. But at the same time there were no breakthroughs in the key directions of scientific and technical progress.

In comparison with 1988, in 1989 balance profit of the sector's scientific organizations grew by a factor of more than 1.7, and the average wages of scientists and planners increased by 36.6 percent. Analysis shows, however, that many scientific and planning organizations have substituted the goal of raising production effectiveness by that of profit acquisition alone. Shameless manipulation of contract prices to the disadvantage of the petroleum and gas extracting enterprises resulted in a 1.5-time increase in the volume of work done by scientific organizations, expressed in financial terms.

As a result of such approaches, the wage fund of sector science practically doubled in the last two years.

The economic impact from selling scientific and technical products in the sector in 1989 was at the same level as 1988, but 25 percent lower than 1987. The impact from utilizing new equipment and production procedures decreased at enterprises of the Glavyumenneftegaz, in the Kuybyshevneft, Orenburgneft, Grozneft, Ukrneft and Aktyubinskneft production associations, and elsewhere.

Sector science has been allowed to veer sharply in the direction of mass scientific and technical production, the proportion of which increased by a factor of almost six in 1988-1989. Complex research subjects associated with creating fundamentally new technical resources and production processes are being phased out.

The race for superprofits is resulting in a decrease in the scientific and technical level of developments. Only 20 percent of completed projects are based on inventions, and only 16 percent of them may be compared with foreign analogues. All of this leads to low competitiveness of the sector's developments in the foreign market.

Cooperation of scientific organizations with cooperatives has assumed deviant forms. Cooperatives created under the sector's scientific organizations are increasing their own profits through those same procedures of inflating contracted prices. Their share of the work of some institutes attains 20 percent in monetary terms. In certain institutes outlays on cooperatively addressed research subjects attain 15 percent.

The mechanism behind mutual relationships of scientific organizations and production enterprises with sector or external cooperatives is based on personal or group material gain.

Of course, the ministry's apparatus is in no way relieved of responsibility for scientific and technical progress in the sector. These will be the key issues in the work of the sector's headquarters under the conditions of the new principles of the national economy's control.

The Second Congress of People's Deputies instructed the USSR Council of Ministers to draw up a draft of the five-year plan for 1991-1995 and submit it to the USSR Supreme Soviet not later than 1 September 1990. In drawing up the draft plan for the sector as a whole and for individual enterprises and organizations, we need to ensure that it is organically tied in with implementation of measures to deepen economic reform on the basis of a complex of laws calling for qualitatively new approaches to the national economy's operation. We need to deeply study and account for all measures to rehabilitate oil and gas industry.

There is a possibility in 1990 for significantly correcting the state of affairs in the sector, and for laying the necessary foundation for its stable work in the 13th Five-Year Plan. We need specific plans and practical actions, but most importantly, we need to have specific people responsible for every item of the planned program.

**COPYRIGHT:** Izdatelstvo "Nedra", "Neftyanoye khozyaystvo", 1990

## ELECTRIC POWER GENERATION

### Nuclear Power Minister Interviewed on U.S. Accord

904E0132A Moscow EKONOMIKA I ZHIZN in Russian No 29, Jul 90 p 20

[Interview with V.F. Konovalov, USSR minister for atomic energy and industry, by special TASS correspondent R. Akhmetov: "USSR-USA: The Uniting Atom"]

*[Text] Even at the height of the "cold war," Soviet-American cooperation continued uninterrupted in the field of the peaceful use of atomic energy. The work of scientists in both countries to not only continue, but also expand the program of joint research in this important field of world science has been reinforced by the signing in Washington of a new agreement by the heads of the Soviet Union and the USA.*

*A special TASS correspondent has conducted an interview with the minister for atomic energy and industry of the USSR, V.F. Konovalov.*

[TASS] Vitaliy Fedorovich, let's begin with a question: Do we need nuclear power after everything that has happened?

[Konovalov] I haven't the slightest doubts about it. Let me explain my position. Energy is one of the basic sectors of any state. It's not for nothing that a country's economic potential is judged by the amount of electric energy produced per capita.

The world economy is moving forward, consuming ever greater amounts of electric power. According to the estimates of the general director of the International Atomic Energy Agency (IAEA), H. Blix, its demand will practically double in the next 15-20 years. The question arises: What kind of energy can satisfy this demand, taking into account the ecological aspects? It is naive and shortsighted to assume that the demand can be met by building thermal electric power plants, burning millions of tons of organic fuel in boilers and emitting a gigantic amount of ash and carbon dioxide into the atmosphere. It is largely due to thermal electricity plants that the world has experienced "acid" rains—destroying reservoirs, trees and vegetation—and the "greenhouse effect." Many scientists believe that a further growth in the concentration of carbon dioxide in the atmosphere, and its consequent overheating of the planet, can result in the heating up of the climate, melting of the polar icecaps, floods, and a change in the earth's topography.

The world can be supplied with energy, and the air basin of cities cleaned up, only by resort to nuclear electricity plants—ecologically clean power sources. They are in operation in over twenty countries and produce about sixteen percent of the world's electric power.

[TASS] It's not that simple today to develop nuclear power. After the Chernobyl accident some of the public actively opposes AES's (nuclear power plants). It's true that this involves a confusion of facts, fears, speculation and misinformation, but sometimes anti-nuclear attitudes win out. The rate of commissioning AES's in our country has dropped substantially, and several operating reactors have been shut down for a variety of reasons. It would seem that only the appearance of safe AES's could form the turning point in the country and restore the public's trust in nuclear power. What does Soviet-American cooperation hold in store in this regard for peaceful use of nuclear power?

[Konovalov] It should be recalled that this cooperation began back in 1973, and was extended by mutual agreement in 1983, 1988 and 1989. The recent signing of an agreement in Washington has opened up a new stage in the joint work of Soviet and American specialists. Two important topics have been included in the existing program: the operating safety of AES's, and everything related to treating radioactive wastes.

Until recently, cooperation focused on raising the safety of nuclear reactors at the stage of their design, construction and operation. This was the central factor, since the scale of use of nuclear power in the world is growing.

The joint working programs are going very successfully. The sides exchange data on the causes for equipment breakdowns, share their experience in reactor operation

and original design solutions, and study the practice of supervising and inspecting reactor plants in the USSR and USA. Advanced research is under way to study the health effects of radiation.

The new five-year agreement has significantly expanded the range of basic and applied work. A comprehensive goal has been set: to direct the work of both countries' scientists towards ensuring the operational safety of the nuclear plant as a whole.

A study of accidents in the USA and USSR reveals that they do not occur spontaneously. They are the result of erroneous actions of operators or of incorrect work organization. The new agreement thus devotes particular attention to the training of personnel for the management and monitoring of equipment operation, the mutual use of scientific and engineering experience. I can report with satisfaction that Soviet and American specialists have already undertaken work in this area at the Novovoronezh AES.

[TASS] Before meeting with you I was listening to Moscow radio. There was a program on the worsening ecological situation in the country. The question arises: how to get out of it? One of the directors of the capital's antinuclear club put it as follows: the only way to survive is to completely eliminate nuclear power plants at their present technical level.

[Konovalov] A familiar statement. And what does he propose instead? Wood? Candles? No matter what anti-nuclear activists may say, I am convinced that in the long run we cannot do without atomic energy based on new-generation AES's.

Such plants will be safer, more reliable and have better technical and economic performance. Development is already under way on a new generation of 500-600 and 1,000-1,300 megawatt reactors. The latter are huge power plants. AES safety will be assured not so much by the most sophisticated systems for monitoring, automatic control, backup power and other technical novelties as by the reactors' internal safety. This is a fundamentally new direction in modern reactor construction.

[TASS] What can you say about the processing and storage of radioactive wastes? Our press has recently focused attention on this.

[Konovalov] This problem exists here, in the USA and in other countries. Debates are under way on the safest and most economical solution. I assume that the cooperation beginning in this area will help lead to the optimal variant.

Despite the fact that each government has its own rules for handling nuclear waste, common questions can be solved together. A delegation of Soviet specialists visited several nuclear centers in the USA for this purpose. Conversations and scientific discussions with American colleagues defined the problems of mutual interest, and

promising solutions were found which promise substantial economic gains for both countries. This inspires hope that new scientific solutions will be found in future contacts.

[TASS] In what directions are traditional scientific and technical ties developing between the USSR and USA on the peaceful use of nuclear power?

[Konovalov] Cooperation has been under way for many years on controlled thermonuclear fusion. When science has mastered it, construction will begin on thermonuclear electricity plants that are ecologically clean and practically inexhaustible sources of power.

This is a gigantic research work for the future. The planet presently contains enough oil, coal, natural gas and uranium for AES's. But the time is coming when these energy sources will be exhausted. They must be replaced by thermonuclear power; mankind must be freed once and for all from energy "hunger."

[TASS] Research on controlled thermonuclear fusion both here and abroad has been under way for over thirty years, but there is still no industrial reactor.

[Konovalov] There's a reason for that. In contrast to atomic reactors, where energy is obtained by splitting heavy nuclei of uranium, in a thermonuclear reaction there occurs the fusion (merging) of light nuclei of hydrogen isotopes, accompanied by the release of a colossal amount of energy. This is the process that occurs in the interior of stars, causing them to emit light, and provides a gigantic flow of energy from the sun. Reproducing under earth's conditions the thermonuclear fusion that takes place in stars has turned out to be an extraordinarily difficult task.

Nevertheless, scientists are persistently advancing towards their goal. The most promising for research are "Tokamak" thermonuclear devices with magnetic containment of the plasma, whose idea was suggested by Soviet scientists. This route has also been adopted by specialists in the USA, Japan and several countries of Western Europe. There are forecasts that the first experimental reactor will appear as early as the end of this century. As they say, we'll live and see.

Another direction is related to fast reactors. In conventional slow reactors, less than one percent of the uranium is "burned." The remainder ends up as waste. It's extremely inefficient to work on building only these types of power plants. Fast reactors are another matter. They have marked a turning point in nuclear power. They allow all the uranium obtained to be used.

Our country is a pioneer in this. Experimental fast neutron reactors have been in successful operation for a long time at the Beloyarsk AES and the AES in the city of Shevchenko on the shore of the Caspian Sea. There are also similar such plants abroad. We have accumulated valuable experience in the design, construction and operation of fast reactors, which we are sharing with our

American colleagues. The cooperation is aimed at studying the basic and applied problems related to the safe operation of fast reactors. Their design is much more complicated than that of conventional power plants.

I should also briefly describe one other direction of cooperation: the study of the basic properties of matter. This area of scientific research is becoming increasingly complicated, and requires a joining of the best minds of both countries' scientists. The program provides for long-term research in high-energy physics, nuclear physics and materials technology.

[TASS] Vitaliy Fedorovich, what do you see as the reason for cooperation? How do you evaluate its results?

[Konovalov] Joining together the scientific and engineering potentials of two powers to solve major problems makes it possible to obtain results much faster and at lower cost. The degree of risk is also reduced in making strategic decisions of both long-term scientific programs and questions of nuclear power.

Soviet-American cooperation is happening in a stable manner and at a high scientific and technical level. It is yielding tangible results which are enriching world science. Its ultimate goal is the development of highly efficient, safe and ecologically clean sources of energy. The joint work of specialists will benefit not only the peoples of the USSR and USA, but all mankind. Because energy and ecology are among those global problems which most concern the planet's inhabitants.

#### Nuclear Power Plants of the World (1988)

Countries	Power of nuclear reactors (power units), million kilowatt	Electricity output, billions of kilowatt hours
USA	102	554
France	54.3	275
USSR	35.4	216
Japan	28.0	175
FRG	22.6	145
Great Britain	14.6	69.1
Canada	12.9	85.6
Sweden	10.0	69.4
Spain	7.8	50.5
South Korea	6.7	40.1

#### Chernobyl Operations, Future Examined

904E0092A Moscow PRAVDA in Russian 23 Apr 90  
First Edition pp 1, 3

[Article by M. Odinets and I. Shatunovskiy: "Chernobyl Four Years Later"]

[Text]

#### Dust in the sarcophagus.

That same painfully well-known road to the north, which begins at Kiev's square imeni Taras Shevchenko adjoining Pushchevoditskiy Forest. Suburban summer houses. Lyutezh. Dymer. Ivankov off to the side. The road has remained in the memory of hundreds of thousands of people who took part in eliminating the consequences of the most threatening accident of this closing century. After that, the highway splits: to the left, it leads to Polesskoye and Narodichi and, to the right, it goes to Chernobyl and the zone.

Did anyone think on that sad April day in 1986, when a column of thousands of buses took away—forever, as it later turned out—the people of Pripyat and Chernobyl, that the same fate would befall the inhabitants of neighboring rayons? There was, of course, a foreboding. They said that they remember that it was "dirty" on the outskirts of Polesskoye.

"Yes, we knew that it was 'dirty,'" bitterly declared a fellow traveler who sat down with us. "But they led us by the nose for four years, kept us in ignorance and accused us of radiophobia. Now you see that they have decided to evacuate us."

Not far from the zone off to the side of the road, one can see the winter tents of the military chemists and special machines on stands beyond a wire fence. As always, there are people around the check and clearing post. Some are waiting for a bus to Chernobyl, some are going to Zelenyy Mys and others to Kiev. They let them through quickly. And again there is the road, only now it is deserted, with occasional houses and farm buildings—quite dilapidated after four years—peeking through the trees. Everywhere there is a high and thick growth of weeds. There are not many people in Chernobyl either. There is a gaping hole in a department store window and the desolation of the yards is quite obvious.

We leave our vehicle at the House of Culture, which is better known here as the place where they tried those guilty of the accident, we get in a "Volga" of the zone regime and head for the plant.

By tradition, we talk in the office of the director. Talking with us is Nikolay Mikhaylovich Sorokin, chief engineer of the nuclear power plant. He reports that two blocks are in operation: the second and third, the first being in regular preventive maintenance. What has been done to raise the level of reliability of the operation of the blocks? Quite a lot. The reactor of each block, and especially its active zone, has undergone significant reconstruction.

We talked in particular about the fourth power block, which is subject to very close observation. The covering that separates the block from the outside world rises like a dark mass as high as a 20-story house. There are sections where the concrete walls of the sarcophagus are 18 meters thick and all that is to exclude the dangerous effects of radiation, which emanates from the gloomy

depths of this Moloch. It reaches 200 roentgens an hour at the top of the broken-down structure. But the main thing is the data of investigations and to carry them out it was necessary to drill more than 70 holes and introduce instruments into the reactor room of the destroyed block. This could be done because a nuclear reaction in its interior is now ruled out. Nor can a chain reaction take place; the proper conditions do not exist for this. The chaotic picture of the internal parts of the structure is also clear now. After carrying out measures to locate the products of nuclear reaction in its core, a huge glasslike mass was created, the fuel was fused and, together with the sand and other components dropped by the sackload from helicopters into the mouth of the crater, it shifted downward. One hundred fifty sensors set up in different places in the exploded block determine the course of the processes taking place there.

It would seem that everything has been provided for but there are many reasons for uneasiness. With the passage of time, different reactions and chemical and temperature processes will take place in the depths after the chaos of the explosion. The deformed structures age and different chemical compounds can act on them. And the question arises as to whether this entire heap can hold up in the event, let us say, of an earthquake or a tornado. Although such cataclysms have not been recorded here for centuries, specialists are already thinking about a new and more reliable covering. The erection of the old one and its repair and maintenance cost tens of millions of rubles and naturally it will cost significantly more than that to carry out new tasks. But what can you do? It is necessary. Those who constantly monitor the fourth block are concerned about the abundance of radioactive dust nesting at different levels of its belly. They knock it down and suppress it, especially in the upper structures. But the years pass and there is more and more of the dusty dirt.

Unfortunately, there is much radioactive dust not only inside the sarcophagus. Our old acquaintance, K. I. Masik, deputy chairman of the Ukrainian Council of Ministers, with whom we met here in the first weeks of the elimination of the consequences of the accident, reports that so much radioactive "dirt" has accumulated in a 30-kilometer zone that more than one decade will be required to remove it. There is now discussion about the problem of building a complex that could process it. Such an undertaking is very much needed, for approximate estimates indicate that the total radioactivity of the substances scattered in the Chernobyl zone amounts to 70 million curie. The number of burial grounds has grown to several hundred. The task "Vectora," as the complex that they intend to build will be called (true, there are many opponents of the project), will include production systems for the decontamination, compaction and pressing of solid radioactive substances, the reprocessing of liquid wastes and the burning of combustible wastes. The basic task of the undertaking will be to limit the spread of radionuclides through the atmosphere and underground and surface waters. It is an extremely

important and necessary matter. Because after the accident, stressed Konstantin Ivanovich, the Chernobyl zone became the source of the radioactive contamination of the territory of the Ukraine over almost five million hectares, of which 3.5 million are agricultural lands. And this does not include Belorussia and oblasts of the RSFSR. We did not know these figures in 1986 or 3, 2 or even 1 year ago but today they rend the soul of everyone—32 rayons of six republic oblasts were affected by the radiation to different degrees, almost 60,000 people live in the zone of the so-called strict control, and more than 200,000 people live in the territory with a load of five curie or higher. This is primarily Poleskiy and Narodichskiy rayons...

#### Polesskoye, Narodichi, What Now?

The spring of 1986 was a bitter one for the inhabitants of these splendid and picturesque places. Now we will never know whether the ominous radioactive cloud lay over Polesskiy Rayon in the night of the Chernobyl disaster or whether it was "sown" with radionuclides from the destroyed reactor later, when the block was "bombed" by helicopters and every direct hit of the ruins caused an outburst of radioactive dust that rose up into the May winds. Everyone's attention at that time was concentrated on the plant, Pripyat, Chernobyl and ensuring the safety of Kiev and no one was concerned about Polesskoye, although it was here at that time that the Pripyat gorkom, gorispolkom and a large number of services for the management of the plant were moved and located in the rayon center. One recalls that no one in the rayon center had dosimeters and certainly there was no dosimetric map of the rayon. It was thought that there was "dirt" in the outskirts but was there not a lot of "dirt" in those days?

Things were being put in order at the Chernobyl Nuclear Power Station. The power blocks went into operation one after another and the guard settlement Zelenyy Mys was built. The sections of Slavutich already began to go up but Polesskoye was left alone with its own troubles. Children became sick more and more often. It reached a point where medical examinations revealed thyroid illnesses in almost half the school children and damage to the nasopharynx in one out of five. The children's vision began to deteriorate because of cataracts. Commissions came from Kiev. Their members tried to persuade parents that there was no danger by referring to instructions from the Ministry of Health and center for radiation medicine. The worried fathers and mothers appealed to Moscow, to the State Committee for Hydrometeorology and again to the Ministry of Health, but from there as well they got reassuring words from those trying to convince the people of Polesskoye that they could live with the radiation there. Having assembled the people, the representatives of advanced medical science who came in response to their letters and complaints told the distraught audience that a person who lives to the age of 70 can absorb 35 rem during his

lifetime without harm to his health. This, they said, has been ascertained and proven. So do not write and do not complain!

The inhabitants of Polesskoye could and should have received help from the managers of republic departments whose enterprises are located there and from Soviet agencies. But Yu.A. Bondar, Ukrainian minister for local industry, has not found time in the last four years after the accident at the Chernobyl Nuclear Power Station to take an interest in how the people live and feel who work at the Prolisok Factory, which is part of the ministry's system. He has not visited there. And when a delegation from the enterprise came to Kiev to find sympathy, support and help in the branch staff, the minister even refused to receive them, saying that it was not his day to receive guests.

More than once the people from this forest area turned to the republic's Supreme Soviet Presidium and to its chairman V.S. Shevchenko for help. They insisted that, under the existing conditions, life is impossible in the rayon center and villages, where the density of radioactive contamination exceeds the allowed standards by tens of times, and every day spent on the land poisoned by radionuclides causes mothers pain and anxiety about the fate of their children. Thus, all of these requests and appeals did not find the necessary response. And it is no accident that at mass meetings in the rayon center they expressed their lack of confidence in V.S. Shevchenko as a people's deputy of the USSR and as chairman of the republic Supreme Soviet Presidium. And now, when four years of life under the conditions of radiation have had a substantial influence on the health of many inhabitants of Polesskiy Rayon, a decision has been made on evacuation. This is also to be experienced by the population of the neighboring Narodichskiy Rayon in Zhitomir Oblast. The immigrants link their current and coming troubles with the position and attitude of the USSR Ministry of Health and the country's Academy of Medical Sciences. "Everywhere we were accused of radiophobia, panicking and even incitement of the population," declared V.S. Budko, first secretary of the Narodichskiy Raykom of the Ukrainian Communist Party. Professor Likhtarev, head of the department of dosimetry and radiation hygiene of the VNTSRM [probably All-Union Scientific Center for Radiological Medicine] of the USSR Academy of Medical Sciences, asserted that they are making noise in Narodichi only to obtain additional material resources for the rayon. Another worker of that same academy recently asserted that the concept of 35 rem is not so much medical as it is economic. So what is the meaning of the slogans to the effect that the highest value in the state is human life?! And it is no accident that with such an attitude toward the difficult situation in our rayon there are increasing illnesses of the blood, thyroid and respiratory organs. There has been a substantial worsening of the vision of most children and an obvious increase in tumor pathology, which, according to medical specialists, is the direct result of radioactivity.

More than 90,000 people have been removed from the suffering rayons in the years since the accident. Far from the nuclear power plant, in places where there is no "dirt," they are already building 14 new settlements, where about 14,000 people will be settled this year from Polesskiy and Narodichskiy rayons.

#### Is the Chernobyl Nuclear Power Station to Be Closed?

V.P. Kukhar, vice president of the Ukrainian SSR Academy of Sciences, was the first to demand the closing of the Chernobyl Nuclear Power Station at the recent session of the Ukrainian SSR Supreme Soviet. M.P. Umanets, director of the Chernobyl Nuclear Power Station, who spoke right after him, gave a detailed report on what has been done to improve the systems to protect the plant against accidents. In showing how efficient nuclear power is, he called for people not to demand the closing of the plant but a substantial improvement of the level of safety of nuclear power stations. Academician B.Ye. Paton, president of the Ukrainian SSR Academy of Sciences, took the floor immediately after him. "Most official circles," he said, "are inclined to conclude that the Chernobyl disaster should be considered over and that our only concern needs to be about eliminating its consequences. Unfortunately, reality is sadder than that. Through the building of the sarcophagus, it was possible only to localize the process but it is not yet possible to talk of its complete mastery. And frankly the sarcophagus itself is a structure of a rather primitive design and requires significant improvement.... At the same time, today it is also necessary to give serious thought to the future of the entire Chernobyl nuclear station, which should be closed within a realistic time."

In a report at the beginning of the session on the ecological situation in the republic and on measures for its fundamental improvement, Chairman of the Ukrainian SSR Council of Ministers, V.A. Masol, proposed the development of a special program for taking the Chernobyl Nuclear Power Station out of operation. It must specify the stages and sequence of the resolution of the set problems and the material-technical and financial resources needed for this and provide for performers of the work. Since a discussion arose about this problem, the speaker presented to the session a draft decree "On the Removal of the Chernobyl Nuclear Power Station from Operation" and in it he proposed "the development of a special program within six months for the removal of the indicated electric power station from operation." In the course of the further debate, passions even rose to the point where one of the orators made a proposal that the government resign, and several speakers raised the question of taking the first power block of the nuclear power station out of operation as early as 1990-1991. The longer period through 1995 was also named. In the final analysis, the prevailing point of view was that this must be done competently and in a balanced manner. It was stated that the Chernobyl Nuclear Power Station is a closely interwoven burden of economic, technical and political problems that cannot be ended with one quick closing.

We also exchange with the plant workers themselves ideas on the latest decrees on measures to improve medical and social services for those persons who took part in the work to eliminate the consequences of the accident at the Chernobyl Nuclear Power Station and on measures to provide help to children living in the zone of active contamination. All approve of this. We talk with Yevgeniy Kozenko, the senior engineer for the management of the first reactor.

"Just as my comrades, I am decidedly against the closing of the station, as was talked about at the session of the Supreme Soviet of the republic. I think that on the basis of in-depth studies the commission set up there will determine what is to become of the Chernobyl Nuclear Power Station. We are quite concerned about the negative attitude appearing in nuclear energy, for it holds the future."

Other workers of the block management come up and a conversation arises about the fact that a block of a nuclear power station that is shut down without the proper organizational and technical preparation will not be nuclearly safe before the complete unloading of the fuel. This requires a special technology that necessitates serious project planning, the manufacture of equipment and the provision of the means of transportation and requires special storage and plants for the processing of fuel.

A young engineer, joining the conversation, says that after shutdown the fuel of the block will be unloaded for three years and another two years will be required for its removal. Then another seven years of waiting time will be needed, after which it will be possible to begin dismantling highly radioactive equipment.

The station shift superintendant, D.D. Krivoy, has been working in nuclear energy for more than 30 years. He spent half of them here and was with the collective during the most difficult days of the accident.

"The talk about the closing of the station leaves a feeling of bitterness in my heart," he says. "If that happens, then what will become of this nuclearly hazardous facility and how will it be possible to hold on to experienced qualified personnel and ensure their vigilance over inoperative equipment? I think that there is much that is hasty in the raising of such an extremely serious question."

\*\*\*

The fourth year after the day of the accident at the Chernobyl Nuclear Power Station is coming to a close but there is no end to conversation, discussions and disputes about it. The population of the city of Kiev is seriously concerned about the problems of Chernobyl. The first session of the newly elected Kiev city council of people's deputies dedicated its first meeting to them. Talk is talk but, again, behind it are the fates of people and paths of life and one must remember this. A ukase of the Ukrainian SSR Supreme Soviet Presidium declared 26 April the day of the Chernobyl tragedy. Let it remind

all of us how important it is to be serious and responsible toward the powerful forces created by nature as well as by man himself.

### Electric Power Workers' Environmental Protection Program Outlined

904E0127A Moscow *PRAVITELSTVENNY VESTNIK* in Russian No 25, Jun 90 p 8

[Article by Yu. Semenov under the rubric "You Have the Floor, Comrade Minister!": "Pay Back the Debt to Nature"]

[Text] *The power workers are planning to allocate more than five billion rubles for ecological measures in 1991-95—four times more than in the current five-year plan.*

The intensiveness of operation of the units at Soviet thermal electric power plants is the highest in the world. This situation is forced, and it in no way gladdens us. The time when more than a third of the equipment of electric power plants will be physically worn out is not far off. Society, however, is even now coming out against the construction of 60 major electric power plants with a total capacity of about 160 million kilowatts [kW] under the banner of protecting nature. The sector is in a most difficult situation, and we are nonetheless convinced that alternatives—either electric power engineering or the ecology—do not exist. While recognizing that industrial activity inevitably affects the natural environment, we do not have the right to be reconciled to the price that society is paying for a universal and ecologically clean form of energy—electricity.

The leading place in the generation pattern of electric power both today and in the foreseeable future is relegated to thermal electric power plants [TES]. They burn a third of the organic fuels produced in the country, converting it not only into energy, but also into millions of tons of ash, sulfur oxides and nitrogen dioxides. A considerable portion of them—roughly 14 percent—is discharged into the atmosphere. USSR Minenergo [Ministry of Power and Electrification] considers reductions in the effects of TESs on nature to be a most important task. The modernization of ash collectors, the incorporation of methods suppressing the formation of nitrogen oxides and the widespread utilization of natural gas have all made possible a reduction in emissions into the atmosphere of 3.4 million tons over the years of the 12th Five-Year Plan.

About 300 water-protection facilities were built at 150 electric power plants in the eighties, and the discharge of polluted water has been reduced by 2.4 times here. The rate at which the sector is paying back its debt to nature, however, does not suit us. This was stated clearly at a session of the USSR Minenergo collegium in May. The plan for the construction of environmental-protection facilities was only 86-percent realized last year. Our construction associations—Energostroy [Power Construction], Tsentratomenergostroy [Central Nuclear Power Construction], Kazenergostroy [Kazakh Power

Construction] and Ukrenergostroy [Ukrainian Power Construction]—are to blame for this. The assimilation of sulfur-removal installations already in place at the Dorgobuzh TETs is being delayed due to a number of design mistakes and the lack of reliable equipment able to operate in hostile environments.

The more energetic incarnation of the sector strategy set forth in the concepts for environmental protection in electric power engineering to the year 2005 is required today. The creation of gas-scrubbing equipment envisages, in particular, the incorporation of wet-limestone sulfur removal, complete automated emulsifier installations for scrubbing ash and sulfur oxides from gases at new and modernized electric power plants and technologies for the suppression of nitrogen oxides at more than 650 boilers of operating TESs. The USSR Council of Ministers Bureau on Machine Building has charged USSR Mintyazhmash [Ministry of Heavy, Power and Transport Machine Building] with ensuring the creation of the pilot sulfur-removal, nitrogen-scrubbing and ash-removal installations for the enterprises of electric power engineering.

Next is the creation of power units equipped with all systems for the scrubbing of stack gases, the use of boilers with circulating fluidized beds and waste-free water-preparation systems and the repeat utilization of treated effluent.

Emissions into the environment are projected to be cut in half compared to the hypothetical ones in the next 15 years. The next few years will be an important stage on the path of the complete halt of sector emissions of polluted water into natural bodies of water.

Tens of thousands of hectares of land are occupied with ash heaps today. The recultivation of twice as much territory as is envisaged by the current five-year plan is projected. Some 50 million tons of ash and slag from TESs will be used in the production of building materials, road construction and agriculture for the deacidifying of soil by the year 2000.

People are very troubled by the expense of hydropower construction. I want to note, however, that its opponents sometimes use imprecise and unobjective information. Hydroelectric power plants [GES] are the cost-free renewal of power resources, low power costs, high flexibility and, finally, the comprehensive utilization of water resources for national-economic purposes. The country conserves about 80 million tons of fuel equivalent a year through GESs, thereby averting the emission of 1.2 million tons of ash and 2.2 million tons of sulfur and nitrogen oxides into the environment.

The creation of GESs indisputably forces the inundation of lands and flood-land ponds, and hydropower engineering makes the reproduction of some types of fish more difficult. Some 6.2 million hectares in all have been flooded in the USSR over the years of hydropower development. The flooded agricultural lands, by the way,

comprise just about five percent of the total land area taken for urban and industrial construction.

USSR Minenergo has now tightened up the expert ecological appraisal of future power facilities. It is a rule that major projects are submitted for the discussion of broad segments of the population. New GESs are planned to be built in mountainous and foothill regions, reducing the area of flooding by an order of magnitude compared to current practices. The construction of fishways, fish-protection structures and fish nurseries and the creation of artificial spawning grounds will be expanded. The decision has been made not to construct the Turukhan GES with a regard for the ecological situation. The question of the construction of the Katun GES remains an open one pending the completion of the scientific ecological expert appraisal of the plans.

The protection of the environment is an intersector task. It assumes the close interconnection of the fuel producers, creators of the equipment for refining it and the power workers themselves, as well as an active stance by academic and sector science.

There are no few difficulties on the path of creating genuinely "clean" electric power. Domestic power installations, and first and foremost boilers, are markedly inferior to foreign ones in the proportionate emissions of harmful substances into the atmosphere. USSR Mintyazhmash, as has already been noted, has been charged with ensuring the supply of power installations complete with the necessary gas-dust scrubbing equipment in the next few years. The machine builders are not yet meeting the deadlines, and they are promising to outfit only newly started facilities. That is why USSR Minenergo has decided to organize the production of equipment for sulfur and ash scrubbing at sector enterprises intended for electric power plants being modernized. This initiative will help get away from the monopoly in the production of environmental-protection equipment and conserve precious time.

The strategic direction of scientific and technical progress in power engineering is the widespread incorporation of installations for the combined steam-gas cycle. They raise the efficiency of fuel utilization markedly and make it possible to accelerate the start-up of new capacity, greatly easing the solution of ecological problems. The transition to this progressive technology, however, is being restrained due to a lack of reliable gas turbines. Great opportunities are present, in the conviction of USSR Minenergo, in conversion and international collaboration here.

The country is spending more and more money every year to reduce harmful emissions into the atmosphere. And they can only be reduced substantially, after all, if we concern ourselves with fuel quality. The "increase" in coal deliveries to electric power plants has come through waste rock for many years now. The annual losses to the sector are hundreds of millions of rubles, and billions for the national economy. World experience shows that the

greatest impact is obtained in the enrichment of fuel. The proper attention has unfortunately not been devoted to this area in our country until recently. Today USSR Minugleprom [Ministry of the Coal Industry] is only beginning the construction of enrichment mills for power coals. We understand that this requires considerable capital investment, and we do not rule out our own participation in the creation of fuel-enrichment complexes on a share basis.

The problems of power engineering affect the long-term interests of the whole national economy, and they should be clearly reflected in the statewide ecological program. A dedicated program for coal enrichment and fuel-oil sulfur removal is badly needed at petroleum refineries.

The development of enhanced-safety AESs [nuclear electric power plants] has decisive significance in nuclear-power engineering. The earlier this is done, the faster the principal objections of society against nuclear power plants—to which there are no alternatives in the near future—can be removed. Tomorrow is for the sector a sensible combination of thermal, hydroelectric and nuclear plants.

The protection of the environment costs a great deal of money. More than 12 billion rubles will be required for the incorporation of new waste-free technologies up to the year 2005. The cost of thermal electric power plants

will increase by 30-40 percent, and sometimes even double. Where will the funds come from? The sole way out is the temporary—until the acuity of the problem recedes—institution of increased rates for thermal and electric power. I understand that this topic elicits sharp criticism on the part of consumers, but the discussion concerns the interests of all of society, and this must be recognized.

A fee for emissions into the environment is being instituted starting next year. It must be envisaged that this decision, correct in principle, not aggravate the already difficult situation in electric power engineering. The size of the fees by sector for the use of nature and emissions into the environment will be juxtaposed with their total profits. The exaction of such a fee, with the prevailing rates for electrical and thermal power, would naturally signify the conversion of all enterprises into the category of losing ones. A customized and considered approach is needed.

The new conditions of business operation will make it possible to attract the funds of the local soviets and all the enterprises of every region to environmental-protection activity. And it is necessary that these funds be utilized in the interests of all the people, who have an intimate vested interest in the beauty of nature, the cleanliness of the air, earth and water and ecologically clean power.

**Industrial Safety Official Notes Shortcomings in Supervisory Work**

904A0484A Moscow *PRAVITELSTVENNYY VESTNIK*  
in Russian No 28, Jul 90 p 9

[Article by V. Malyshev: "We Must Not Economize on Safety"]

[Text] I will begin with some statistics—selective, but quite indicative and alarming. Chemical supervision monitors more than 1,250 enterprises, and this includes tens of thousands of the most complex production lines for producing and processing highly explosive and toxic products. The high pace of development of the chemical industry, characteristic of the past decade, has increased the risk of large-scale accidents with catastrophic consequences. The concentration of combustible and highly explosive substances in industrial areas is about 3,000 tons per hectare, which is equivalent to 30,000 tons of TNT. There have been about 150 accidents at chemical enterprises in the last 18 years. The result is serious injuries, destroyed buildings, and disabled production equipment. We will record about 4,000-4,500 less major production defects each year, which essentially do not differ fundamentally from accidents.

In the coal mining sector, the USSR State Committee for Supervision of Safe Working Practices in Industry and the Atomic Power Industry [Gospromatomnadzor] monitors 590 mine shafts and 85 mines. Approximately half of them were put into operation prior to 1960 and have not been modernized since that time. Four out of every five mine shafts are dangerous due to methane; one out of every four is dangerous due to sudden outbursts of coal, rock, and gas; and two-thirds are mining beds whose coal dust is highly explosive. The air temperature in shortwalls and stopes of 80 mines exceeds the maximum norm, and 162 mines have exhausted their ventilation capabilities and are operating on the brink of risk.

I believe these figures eloquently illustrate both the volume and complexity of the tasks facing the State Committee for Supervision of Safe Working Practices in Industry and the Atomic Power Industry, created almost one year ago.

It combined two bodies whose functions differed substantially—the union Gosatomenergonadzor [State Committee for Safety in the Atomic Power Industry] and Gospoptekhnadzor [State Committee for Supervision of Safe Working Practices in Industry and for Mine Supervision]. These differences and the multiple profile of the new committee had to be taken into account when creating the optimum structure. You see, in addition to the atomic power industry, today we are also monitoring such specific production facilities as chemical and oil refining, mining and metallurgical facilities. Add to this supervision of radiation safety, processing of mineral raw materials, grain products enterprises, transport of highly hazardous freight, rail transport, and main oil and gas lines, and you end up with a total of 16 various directions.

Should one be surprised that we have revised the committee's structure three times? In the end, a variant was submitted for the government's consideration which envisioned the creation of four state supervision commissions: safety of atomic energy utilization; mining supervision; supervision of production facilities of increased risk; and general industrial safety. Each of them has its own subdivisions which are oriented on performing narrower tasks. Thus, the State Commission of Mining Supervision includes two main administrations—for supervision in the coal and shale industry and for supervision of protection of mineral resources, as well as an administration for supervision in the mining industry and for supervision of blasting and manufacture of explosives.

Incidentally, it is hardly right to call their functions local. Judge for yourself, the mining direction includes practically all sectors conducting mining and blasting operations, and this involves 21,700 facilities. The sphere of activities of the mining commission also includes protection of mineral resources and supervision of rational, comprehensive use of mineral raw materials. During the mining and processing of a number of minerals and valuable components, their losses reach 40-60 percent. Rare waste each year alone inflicts direct damage (not counting expenditures for environmental protection) amounting to 10 billion rubles.

Industrial safety is regarded as something purely external and not obligatory, but a costly supplement on which it is possible to economize. Such a position is shared even by those who should be directly concerned with safe work—for example, the miners who went on strike last year sought and achieved...a relaxation of the requirements of rules and norms, a reduction and even a partial elimination of safety equipment services, and a relaxation of supervision. And it did not take long for the result to have an effect—at the end of last year and in the first six months of this year, the number of accidents and fatal injuries are constantly increasing.

Therefore, we do not intend to abandon inspections of enterprises and the issuance of mandatory orders—there are no objective conditions for this now. Still, our strategic goal is to move away from rigid guardianship and to create and put into operation those mechanisms (including economic ones) which would make it possible to revive—I would not fear the harsh assessment—the dying responsibility for industrial safety.

I want to dwell on two fundamental problems that are emerging in connection with the transition to market relations and the obvious trend of the republics toward independence. The USSR Gospromatomnadzor, which I have been entrusted to head, has been placed among union-republic administrative bodies in the government structure. How to divide the functions between our committee and the republic supervisory bodies? This is now the number one question.

In past years, a complex of all-union standard documents on safety in industry and the atomic power industry was formulated; a system was created for improving them based on experience of operation and scientific achievements; a system was created for collecting and analyzing information about accidents and violations in the operation of facilities; and, finally, methods documentation was developed for the various types of supervision. It would have been unwise to ignore this valuable baggage. Therefore, we developed and sent to the governments of the union republics the most acceptable, in our view, variant of functioning of the services responsible for safety in industry and the atomic energy industry.

We are now working on a draft type contract on mutual relations with the supervisory bodies of the republics. Our position is this: in the new conditions, the USSR Gospromatomnadzor should become a connecting link in ensuring safety, especially of atomic energy facilities, hazardous chemical and oil and gas production facilities, radiation-hazard facilities, and pipeline systems.

The system of supervision throughout the country will be effective only with centralized drafting of laws, standard acts, and legal documents on safety, unified principles of expert examination and licensing, training of personnel, and gathering and analyzing timely information. It seems that our documents, decisions, and results of expert examination will be in the nature of recommendations for the republics and their supervisory bodies.

Now about the transition to a market economy. The influence of ministries has been limited to the minimum; the new structures, concerns, and associations themselves are still in the stage of being established and, of course, are not ready for problems of safety. In this situation, in the pursuit of profit many enterprises, as I already said, ignore industrial safety and violate production processes. Appropriations for safety and departmental monitoring services are being disastrously reduced, centralized financing is precluded for a number of the most important directions, and state supervisory bodies are considered excesses in our system. All this causes serious concern.

It is necessary to make it unprofitable to disregard safety standards. In the West, private firms and companies do not stint on expenditures, understanding that investments make it possible to prevent more serious damage. A system of penalty sanctions provide an incentive for safety. Note that these fines are not only for an accident, but also for conditions that could result in an emergency situation. Many of our economic managers would be interested in learning that violations of safety requirements in the United States may result in a fine of \$1,000 to \$10,000 or up to six months in prison, and a repeat offense may result in a fine of up to \$20,000 and one year in prison.

I believe that we should immediately introduce economic sanctions against enterprises and organizations. A

reasonable economic mechanism that has a real influence on industrial safety should be created in the near future; otherwise, it may take us years, if not decades, to catch up to the civilized world.

### May Industrial Fatalities Reported

904F0199A Moscow TRUD in Russian 24 Jun 90 p 1

[Unattributed article, with commentary by Anatoliy Aleksandrovich Tikhomirov, chief of the Administration of USSR Gospromatomnadzor]

[Text] Instead of respect for the requirements with regard to safety measures—there is careless work, disregard of the elementary rules and a hope that the situation will improve.

In May, the statistics on production accidents and mishaps were just as dismal as they were in previous months.

	Overall Number of Fatalities	Group Accidents	Accident Victims	Mishaps
Coal industry	39	4	23	16
Mining industry	20	4	9	2
Exploitation of underground structures	23	3	7	6
Oil and gas production industry	4	1	3	2
Geological prospecting	1	-	-	1
Chemical, petrochemical and petroleum refining industry	3	1	3	-
Metallurgical industry	7	-	-	2
Boiler inspection	2	2	5	4
Gas inspection	1	-	-	5
Total:	100	15	50	38

The chief of the Administration of USSR Gospromatomnadzor, Anatoliy Aleksandrovich Tikhomirov, comments upon the above depressing figures.

The growth in the number of accidents and mishaps derives mainly from low production discipline and unsatisfactory work by the services of departmental supervision.

Here is a typical example. A specialist by the name of G. Sokolov was fatally wounded in the city of Pavlovo in Gorkiy Oblast.

At 0800 hours in the morning, dispatcher N. Anisimov placed a KamAZ-5511 dump truck, with driver V. Yegorov, at the disposal of foreman L. Musatov at a metal warehouse of the Pavlovo Transport-Expedition Association. Aware that sheet metal cannot be transported in a dump truck lacking a rear panel, Yegorov refused to carry out this work, but they persuaded him otherwise. The trip was completed in a normal manner. But during the second hoist, the sheet metal broke loose from its binding owing to a faulty baling wire and spilled out onto the carriageway. The driver reported this incident by telephone to the chief of the Freight Transport Department V. Klimov who, unable to go to the scene himself, sent crane operator A. Tupitsyn.

The latter, upon arriving at the scene, noted that the metal was spread out between two electric power transmission lines and thus he correctly refused to load it in the absence of a clearance order. However, he did not report this fact to the management of the Pavlovo TEO and thereafter he left the scene.

Following dinner, V. Klimov sent crane operator D. Voronin and specialist G. Sokolov to gather up the scattered metal. They began the loading work. During the operation, the crane's boom brushed against the wire of an LEP [electric power transmission line] with a voltage of 110 kilovolts. As a result, specialist G. Sokolov, who was standing in water along the carriageway, was fatally wounded.

During 1989 alone, the investigative organs received 215 documents having to do with accidents and mishaps that occurred in connection with the exploitation of underground structures. But the cases were often terminated owing to the "absence of a corpus delicti."

Certainly, the problem does not have to do with the public procurator indulging the offender. Everything is considerably more complicated. Usually the guilty party convincingly proves that he was forced to commit a violation in view of the existing situation. And he maintains that he did not cause the situation, but rather it was caused by another individual who ignored the rules and standard procedures. Thus we find ourselves in a paradoxical and senseless situation: we are unable to restore order or maintain discipline owing to the fact that we lack both order and discipline. How can this vicious circle be broken? It must be done in a manner such that the labor collectives bear economic responsibility for ensuring the safe operation of equipment, a requirement that is completely natural, given the conditions of a market economy.

#### **Kuzbass Meeting Studies Market Transition Problems**

904F01984 Moscow *TRUD* in Russian 23 Jun 90 p 2

[Article by *TRUD* correspondent in Kemerovo Yu. Kotlyarov: "They Are Discussing a Market Economy in the Kuzbass"]

[Text] Undoubtedly, one problem in the entire multitude of difficult problems which we have encountered in recent years is particularly acute and topical—that of a transition to a market economy. By all signs, it is only possible to avoid additional social tension which is fraught with new shocks by studying well and taking into account the views of various social strata of the populace as much as possible. Our correspondent in Kemerovo, Yu. Kotlyarov, discusses one of such "cross-sections" of public opinion.

"A Market Economy—Pro and Contra"—this is how the topic of a roundtable discussion was worded by the Kemerovo Oblast Trade Union Council. Workers, scientists, economic managers, and leaders of the soviet and trade union organs took part in it. The conversation turned out to be sharp, but the conclusion was, perhaps, unanimous: The transition to a market economy is, perhaps, unavoidable. It is another matter how this transition is to be made. Here are the opinions of some participants in the roundtable.

**Yu.A. Fridman**, doctor of economic sciences, professor (Institute of Economics and Organization of Industrial Production of the USSR Academy of Sciences Siberian Division):

In essence, the government does not have a clear-cut program for a transition to a market economic system. (This is to say nothing about it being at least three years late). It is important to take into account the peculiarities of various regions in this program. This is why we need to develop a market mechanism for the Kuzbass ourselves without delay: after all, our oblast stands for coal, metal, and the chemical industry....

**Yu.A. Zhuravskiy**, doctor of economic sciences (Kuzbass Polytechnical Institute):

In the course of this, we need to create a system: markets of producer goods, consumer goods, labor, and technology. It is also necessary to establish a clear-cut connection between the incomes and the index of prices...

**V.V. Ragozin**, chief economist of the Topkinskiy Cement Mill:

One gets the impression that we are curing or, more precisely, trying to cure the symptoms of a disease rather than the disease itself. We are looking for forms without changing the content of existing economic relations. For example, the amortization allowances of enterprises are appropriated, as well as a lion's share of profits. What will remain in order to renew the technology of production? How are we to improve the quality of products and labor productivity under the circumstances? How are we to survive at all?

**V.M. Tumin**, doctor of economic sciences (Kuzbass Polytechnical Institute):

Indeed, it is impermissible to change the administrative-command system at a slow pace. Half-measures will undermine revolutionary transformations. We cannot postpone the introduction of a market and thus create an

opportunity for social explosion. However, we also need to develop and introduce reliable means of social protection for individuals simultaneously.

**A.A. Grebennikov**, deputy chairman of the oblast executive committee:

We need a center (let us use this name) for market-economy training, taking into account the specifics of the Kuzbass. Second, a creative group needs to be set up immediately for working out pertinent documents and our proposals. Besides, we need to develop an employment program—difficulties with finding jobs for the people are already emerging.

\*\*\*

Participants in the roundtable agreed on the proposed priority steps for preparation of the transition of the Kuzbass to the market economic system.

Unfortunately, the trade unions were rebuked at the meeting in some speeches: supposedly, they are adopting resolutions which interfere with the invigoration of the economy by the government because of "populist" considerations, such as, for example, a protest by the presidium of the oblast trade union council of the auctioning of consumer goods. Here is another rebuke: the trade unions are in no hurry to assume responsibility for [paying] compensation for the growth of prices for food-stuffs. Here is what Deputy Chairman of the Kemerovo Oblast Trade Union Council V.N. Korovitsyna thinks about this:

"Some comrades have developed a strange conviction that the 'coffers' of trade unions are a bottomless pit stuffed with millions. Of course, it is not at all so. Membership dues are the main source of revenue; at present, for example, miners retain all of them. Meanwhile, the development of health-maintenance facilities, the organization of cultural programs, and so on call for considerable expenditures. Still, the oblast trade union council found it possible last year to allocate 200,000 rubles to the oblast chapter of the Charity and Health Foundation.

"Besides, why should the working people themselves pay through their trade-union dues for price raises by the government and enterprises? This is hardly logical. In our opinion, the concept of transition to market relations proposed by N.I. Ryzhkov is an attempt to replenish the budget at the expense of the wallets of the working people. It is quite possible that they will first increase prices for goods and consumer staples, and only later set real market mechanisms in motion and take measures with a view to the social protection of the people. This is like having a man undress, pushing him out into the cold, and admonishing him: 'Hop about here and try not to get cold, and we will think meanwhile what clothing we are going to give you...'

"This is why we say again and again that reliable social guarantees codified in legislative acts are necessary. We

have specific demands and proposals for the government. We outlined them in a telegram which we sent to A.I. Lukyanov, N.I. Ryzhkov, B.N. Yeltsin, G.I. Yanayev, and I.Ye. Kochkov. One more point: we viewed a statement by the chairman of the USSR Council of Ministers at a session of the Supreme Soviet on the growing ultimatum nature of demands on the center as an attempt to cause dissatisfaction with the justified demands of the working people, especially those from the coal-mining regions, having noted that such statements aggravate the social situation which is complicated to begin with. We are in favor of new economic relations, of consolidation, but we do not intend to give up defending the interests of the working people."

#### AUCCTU Plenum Reviews Election Procedures

904F0142A Moscow *TRUD* in Russian 20 Apr 90 p 1

[Unattributed report: "Proposals on Procedures for Electing Delegates to the 19th USSR Trade Union Congress"]

[Text] On April 17 the 18th Plenum of the AUCCTU [All-Union Central Council of Trade Unions] examined proposals prepared by the AUCCTU Presidium on procedures for electing delegates to the 19th USSR Trade Union Congress.

Delegates to the 18th USSR Trade Union Congress were elected at trade union congresses, at trade union congresses of union republics, and at oblast (kray) inter-union [mezhsoyuznykh] conferences of the Russian Federation, the Ukraine, Belorussia, Uzbekistan and Kazakhstan. Of 5000 delegates, 2548 were elected from branch trade unions and 2452 from trade union organizations of the union republics.

Considering the growing level of democracy within the trade unions and the expansion of the rights and independence of primary trade union organizations, the elections of delegates to the 19th USSR Trade Union Congress should be carried out on a more democratic basis. This basis should guarantee broad publicity, the immediate participation of trade union members in the processes of nominating and discussing candidates for delegates, and the principle of alternative candidates in these elections.

To this aim every primary trade union organization must be allowed the right to nominate its own candidate for delegate. The decision should be made at a trade union meeting (conference) by an open or secret ballot vote with alternative candidates. Trade union organizations with small memberships can nominate candidates at joint meetings (conferences). It is desirable that the composition of the group of candidates correspond to the greatest possible degree to the organization's social composition and include active members of the trade unions who are taking part in trade union work. Upon nominating candidates, trade union members should have the opportunity to give them mandates and make

proposals for the improvement of the activities of trade unions and their particular bodies.

The elections of delegates will be carried out by secret ballot according to one of the following variants.

**Variant I.** Elections of delegates will be held from branch trade unions throughout the union republics.

Depending on the number of republic, kray, and oblast trade union organizations, and in accordance with the representation quota for the congress—one delegate for every 60 thousand trade union members—elections will take place in every union republic:

- at conferences of large primary trade union organizations;
- at oblast (kray) or republic conferences of branch trade unions of the Russian Federation, in the Ukraine, Belorussia, Uzbekistan, and Kazakhstan;
- at republic conferences of branch trade unions in other union republics. If the size of some republic organizations does not allow them to elect at least one delegate from among themselves, the election of delegates from these organizations will take place at their joint republic conferences.

Taking these approaches into account and following the suggestions of the corresponding committees of mid-level trade unions, republic councils and trade union central committees establish the procedures for electing delegates from each republic, kray, and oblast organization of branch trade unions.

All candidates nominated by primary trade union organizations will be included on the ballot list for the election of delegates at conferences.

Those candidates for whom more than half of the delegates at the conference have voted and who have received the relative majority of votes will be considered elected. If fewer delegates than required by the representation quota are elected, then the number of delegates that are lacking will be chosen in runoffs.

**Variant II.** Elections of delegates will be held at industrial and industrial-territorial single-mandate okrugs formed in oblasts, krays, and republics without oblast divisions, depending on the number of trade union members and in accordance with the representation quota: one delegate per 60 thousand trade union members.

Industrial okrugs, including primary (workshop) organizations of a single trade union, will be formed:

- at large enterprises, institutions, and organizations;
- within the territory of a rayon or city;
- within the territory of some rayons and cities;

—within the territory of oblasts, krays, and republics without oblast divisions.

Industrial-territorial okrugs, including some oblast, kray, and republic organizations of branch trade unions whose size does not allow to them to select even a single delegate, are formed only within an oblast, kray, or republic without oblast divisions.

Okrug electoral commissions will be created to conduct elections. They exercise control over the nomination of candidates, create the conditions for acquainting trade union members with them, approve the texts of elections slates and see to their preparation, and summarize the proposals made in the course of nominating candidates.

The elections will take place at okrug meetings of trade union members who are sent as delegates by primary organizations to take part in the elections according to the representation quotas established by okrug electoral commissions.

All candidates nominated by primary trade union organizations will be included on the secret ballot list for the selection of delegates at okrug meetings.

That candidate who receives more than half of the votes of the trade union members who took part in the voting, with the established quorum present, will be considered elected. If no single candidate garners the needed number of votes, a runoff will be held between the two candidates who received the most votes in the first round. If even then neither of the candidates receives more than half of the votes, then, by the decision of the okrug meeting, either a runoff will be held, or the candidate receiving the most votes in the second round will be acknowledged the winner.

According to the procedure outlined in the first and second variants, elections of delegates from the trade unions constructed on an extraterritorial basis—trade unions of aviation workers, geological surveyors, railway transport and transportation construction workers, and workers of marine and inland water transport—will be held at territorial, road, and basin conferences. And elections by trade unions of aviation and defense industry workers, atomic energy and industry, and general machine-building, in which there are no mid-level trade union organizations, will be held in industrial single-mandate okrugs.

According to the first and second variants, the election results will be given at congresses of branch trade unions and union republic congresses.

**Variant III.** Elections of delegates will be held at congresses of branch trade unions, at congresses of trade unions of union republics and at oblast (kray) inter-union conferences of the Russian Federation, the Ukraine, Belorussia, Uzbekistan, and Kazakhstan.

In this case, according to the representation quota, one delegate per 120 thousand trade union members, 50 percent of the delegates to the 19th Congress will be

## LABOR

elected from branch trade unions and 50 percent—from union republic trade unions.

Candidates for delegate nominated by primary organizations must first be discussed in oblast, kray, and republic (without oblast divisions) conferences of branch trade unions or at plenums of the corresponding trade union committees. Then all candidates will be divided into two secret ballot lists according to their views. One list is for proposing candidates for delegate to the congress of the branch trade union, and the other—for delegates to the congress of union republic trade unions or to an oblast (kray) inter-union conference.

Proposals of the candidates receiving the most votes by secret ballot will be made to committees of mid-level trade unions in the corresponding central committee and council of trade unions. Then for every mandate stipulated by the representation quota at the congress, two to three candidates will be forwarded. Committees with fewer trade union members than required by the representation quota will propose one candidate.

All candidates proposed by mid-level trade union committees will be included on secret ballot lists for the election of delegates at congresses of branch trade unions, congresses of union republic trade unions, and kray and oblast inter-union conferences.

Those candidates who have received more than half of the votes of those taking part in the elections of delegates to the congress and conference and who have received a relative majority of the votes will be considered elected. If fewer delegates than required by the representation quota are elected as a result of the vote, then the number of delegates who are lacking will be chosen through runoffs.

A decision has been adopted to discuss these proposals in primary trade union organizations and trade union bodies in order to approve a procedure—one that takes into account the remarks and suggestions made—for electing delegates to the upcoming Congress of USSR Trade Unions at the AUCCTU plenum on May 14, 1990. Remarks and suggestions should be sent to the AUCCTU at this address: 117119 Moscow, Leninskiy prospekt, building 42, department of organizational work.

**Rapid Pay Hikes, Economic Instability Examined**  
904F0116A Moscow EKONOMIKA I ZHIZN in  
Russian No 12, Mar 90 pp 12-13

[Article by Yu. Yakutin: "Unearned Ruble: Notes from the Meeting of the Presidium of the USSR Council of Ministers"]

[Text]

*Just one question was raised at the expanded meeting of the Presidium of the USSR Council of Ministers and its discussion continued for more than four hours. The managers of the largest national economic complexes, ministers and directors of plants and research institutes analyzed the*

*reasons for the galloping increase in wages. And the results of the examination of the work of enterprises and organizations presented in the speeches very eloquently supplemented the general picture for the country given in the summary report of the USSR State Committee for Statistics.*

### The Gap Is Growing

The results of the development of the economy in the current five-year plan indicate that the greatest danger for the economic reform today is from the disruption of the monetary turnover and the lack of balance in the consumer market. The development of these negative processes coincided with the beginning of the transfer of enterprises to new conditions of management and remuneration of labor in 1988. It has not yet been possible to stop these processes, although the government has taken a number of measures to limit the unjustified increase in the monetary incomes of the population and to saturate the consumer market with goods. The increase in monetary income is still not linked with the commodity volume and the gap between them is growing.

Thus, the monetary incomes of the population increased by 63.8 billion rubles, or 12.9 percent, in 1989 (by 41.4 billion rubles, or 9.2 percent, in 1988). To compare: incomes increased by only 78 billion rubles in all the years of the 11th Five-Year Plan.

What are the basic reasons for such an increase? It was noted at the meeting that this is above all an increase in wages in connection with a review of basic wage rates and salaries and a new system for the formation of the wage fund, which, as it turned out, was not strongly enough linked with the release of final output. The lessening of control over price-setting and the extensive development of such new forms of activity as cost accounting with the distribution of income, cooperatives and the lease contract also contributed to the increase in wages. Also having an effect were various kinds of incentives and privileges, whose number has increased, and the broad program of centralized measures to raise the standard of living of the population. The incomes of rural inhabitants increased primarily because of the utilization of contractual prices for several kinds of output.

What are the main sources of the increase in the monetary incomes of the population?

As is apparent from the data of Table 1, the main source is the payment for labor. Of the total increase in monetary incomes of the population amounting to 63.8 billion rubles, 46.7 billion, or 73 percent, is attributable to the increase in wages. Noteworthy is the fact that wages increased rapidly in the state as well as the cooperative sectors of the economy. Thus, the wage fund for workers and employees in the national economy increased by 28 billion rubles (9 percent) in 1989, the wage fund of cooperative workers by 13.2 billion (a factor of 5.4) and the incomes of kolkhoz members increased by 2.3 billion rubles (by 8.9 percent).

**Table 1. Annual Increase in Monetary Incomes of the Population by Basic Sources**

	Billions of Rubles		In Percent	
	1988	1989	1988	1989
Monetary incomes of the population, total	41.4	63.8	9.2	12.9
Including:				
1. Remuneration of labor	25.0	46.7	8.2	12.9
—Wages	22.4	29.5	7.5	9.2
—Remuneration of the labor of cooperative workers	2.6	13.2	Factor of 7.5	Factor of 5.4
—Incomes of the wage type	1.3	1.7	13.1	14.6
—Incomes from kolkhozes	1.2	2.3	4.9	8.9
2. Receipts from the sale of farm products	2.4	3.6	14.3	18.7
3. Pensions, grants and stipends	4.5	4.9	6.6	6.9
4. Receipts from the financial system	2.8	0.5	16.4	2.8
5. Other receipts	4.6	8.1	38.3	38.1

It would seem that there is nothing wrong with this. Incomes increase, so there ought to be a corresponding improvement of well-being. But the whole thing is that prosperity will increase only when money is not "empty" but is covered with goods in the consumer market and when money payments correspond to the real increase in labor productivity.

For the time being, things are quite different. Compare: the money incomes of the population increased by almost 13 percent last year and the rate of increase of produced national income declined by almost half—from 4.4 to 2.4 percent. There was a decline in the rate of increase of the production of industrial output—by more than half here—from 3.9 to 1.7 percent.

And still another comparison: whereas the increase in monetary incomes was almost 64 billion rubles, the commodity turnover increased by only 37 billion, including through a reduction of commodity reserves. As a result, the difference between the commodity and monetary masses increased by 27 billion rubles and unsatisfied demand reached a critical level of 165 billion rubles. How can there be any talk of a process of the normalization of the economy and a strengthening of the ruble under these circumstances? And do not we ourselves see that the expansion of the amount of money diminishes the incentive to work and nullifies efforts to establish order in the consumer market?

This is for the national economy as a whole. And how do matters stand with respect to the remuneration of labor and the production of output in the most important complexes of the national economy? Let us turn to the data in tables 2 and 3.

**Table 2. Rates of Increase of the Wage Fund for Industrial-Production Personnel and of the Total Volume of Production (in percent of the preceding year)**

	1985	1986	1987	1988	1989
All industry					
—Wages	103.4	102.7	102.6	106.3	107.5
—Output	103.4	104.4	103.8	103.9	101.7
—Ratio of the rates of increase	1.00	0.61	0.68	1.62	4.4
Fuel and energy complex					
—Wages	104.6	103.0	102.2	106.3	107.6
—Production	102.4	103.7	103.2	102.4	99.7
—Ratio of the rates of increase	1.92	0.81	0.69	2.62	25
Machine building complex					
—Wages	104.1	102.4	101.5	105.2	106.7
—Output	105.6	106.3	104.5	105.8	103.2
—Ratio of the rates of increase	0.73	0.38	0.33	0.90	2.09
Metallurgical complex					
—Wages	102.3	102.4	100.9	106.5	108.3

## LABOR

**Table 2. Rates of Increase of the Wage Fund for Industrial-Production Personnel and of the Total Volume of Production (in percent of the preceding year) (Continued)**

	1985	1986	1987	1988	1989
—Output	102.3	104.0	102.0	103.1	100.2
—Ratio of the rates of increase	1.00	0.60	0.45	2.10	41.0
Chemicals and timber complex					
—Wages	102.5	103.3	101.0	106.1	106.4
—Output	103.1	105.3	103.2	103.9	101.7
—Ratio of the rates of increase	0.81	0.62	0.31	1.56	3.76
Agro-industrial complex					
—Wages	102.6	102.5	104.5	104.9	106.4
—Output	102.9	104.4	103.5	102.3	103.1
—Ratio of the rates of increase	0.90	0.57	1.29	2.13	2.06
Ministries of light industry of union republics					
—Wages	102.0	100.8	100.5	107.2	108.1
—Output	101.7	101.6	101.5	104.4	102.1
—Ratio of the rates of increase	1.18	0.50	0.33	1.64	3.86

Note: the data are presented in the structure of complexes of the corresponding year. In the complexes for 1989, the wage fund is for all personnel.

**Table 3. Rates of Increase of the Average Wage of Industrial-Production Personnel and of Labor Productivity (in percent of the preceding year)**

	1985	1986	1987	1988	1989
All industry					
—Wages	102.9	102.4	102.9	108.5	109.0
—Labor productivity	102.9	104.0	104.1	104.9	103.1
—Ratio of the rates of increase	1.00	0.60	0.71	1.73	2.90
Fuel and energy complex					
—Wages	103.1	102.0	103.6	108.0	109.0
—Labor productivity	101.1	102.9	104.5	103.7	101.8
—Ratio of the rates of increase	2.82	0.69	0.80	2.16	5.0
Machine building complex					
—Wages	103.8	102.2	101.7	106.6	108.8
—Labor productivity	106.4	107.1	104.1	107.9	107.8
—Ratio of the rates of increase	0.59	0.31	0.41	0.84	1.13
Metallurgical complex					
—Wages	102.2	102.7	102.5	109.2	110.0
—Labor productivity	102.1	104.3	103.6	105.7	102.1
—Ratio of the rates of increase	1.05	0.63	0.69	1.61	4.8
Chemical and timber complex					
—Wages	102.4	103.5	102.3	108.8	108.5
—Labor productivity	103.0	105.5	104.6	106.4	104.0
—Ratio of the rates of increase	0.80	0.64	0.50	1.38	2.12
Agro-industrial complex					
—Wages	102.4	102.9	104.9	106.4	107.5
—Labor productivity	102.5	104.5	104.0	103.9	104.7
—Ratio of the rates of increase	0.96	0.64	1.22	1.64	1.60

**Table 3. Rates of Increase of the Average Wage of Industrial-Production Personnel and of Labor Productivity (in percent of the preceding year) (Continued)**

	1985	1986	1987	1988	1989
Ministries of light industry of the union republics					
—Wages	102.9	101.8	101.8	108.8	108.7
—Labor productivity	102.6	104.7	104.2	106.2	105.4
Ratio of the rates of increase	1.12	0.38	0.43	1.42	1.61

Note: the data are presented in the structure of the complexes for the corresponding years. For 1989 in the complexes, it is the average wage of all personnel.

Take a closer look. Is it not an impressive picture? The rate of increase of the wage fund for industrial-production personnel exceeds the rate of increase of total volume of industrial output by a factor of 4.4. And in the fuel-energy and metallurgical complexes, this outstripping was 25 and 41 times, respectively.

It is sometimes said that ratio of the rates of increase of wages and labor output does not prove anything, because it does not take into account the increase in labor productivity and the relative reduction of the number of employees. But let us take a look at Table 3. It is an analogous picture. Labor productivity does indeed increase but considerably more slowly than wages. For industry as a whole, the rate of increase of wages exceeded the rate of increase of labor productivity by a factor of 2.9, whereas in our record-holders it was by a factor of 5 in the fuel and energy complex and by a factor of 4.8 in the metallurgical complex.

Unfortunately, such unfavorable tendencies are continuing and even becoming worse this year, disrupting the fulfillment of the government program. Here are just a few figures. The increase in monetary incomes in the last two months reached an unprecedented level of 14.8 percent. And the change in industrial production is a minus 1 percent.

Why is unearned money being paid out? Where are the outlets of the group selfishness of labor collectives in the race for unearned rubles?

#### Again Those Same "N's" and "D's"

A check of more than 200 enterprises and organizations of the different branches of the national economy showed that there continues to be an increase in payments from the economic incentive funds through deductions of profit to them as a result of unjustified price increases in establishing the "N" indices for innovative commodities and goods sold at contractual prices (while also washing out goods of the inexpensive assortment). At the Moscow consumers' cooperative "Bolshevichka" of the RSFSR Ministry of Light Industry, for example, output with the indices "N" and "D" amounted to 84.3 percent of total production in 1989, the increase of which was just 3.7 percent. The association is obviously oriented toward the production of expensive things. As a result, payments from the wage

fund increased here by 9.2 percent, including by a factor of 1.4 from the economic incentive fund. But this is not all. The carryover of the economic incentive fund for 1990 was 5.3 million rubles, which is more than twice its annual expenditure and directly encourages excessive payments of various kinds.

Here is another example. At the Monino Worsted Goods Combine in 1989, 2.6 million rubles were deducted to the economic incentive fund—greater than in 1988 by a factor of 1.5—through stimulating price markups on output with the index "N."

We repeat that no one objects to the earning of more money for the issue of truly fashionable goods, the renewal of produced output or a noticeable increase in its production. But "N" and "D" are often used as a form of direct pressure on the consumer by the monopoly producer. In the pages of our newspaper, we have repeatedly related how the pockets of consumers are shamelessly emptied as a result of the group selfishness of some labor collectives: they sewed on a new little bow and got the index "N" and a price markup or they twisted the arm of trade or came to a friendly agreement with it, thereby receiving the index "D" and a high price.

I would like to repeat the question heard from the pages of our newspaper: Do the labor collectives and their councils know, when they present demands for the stabilization of the market and the freezing of prices, that their enterprises, in "getting carried away" with the awarding of the indices "N" and "D" for some commodity or other, bear a considerable share of the blame for the galloping increase in prices? Do they know that the increase in the incomes of enterprises and in the wages of their workers exclusively through the raising of prices acts as a boomerang against their own interests and soon leads to rigid strike demands for higher wages because of the increasingly high cost of living? Do they know that the price race and associated unhealthy increase in wages engender a winding spiral of inflation that strangles the economy of the country and their enterprises?

#### "Charity" in Getting Around the Rules

The radical economic reform is giving the labor collectives broad rights in resolving social questions and improving the material well-being of their workers. You

worked well—you deserve all that is permitted. But a check revealed many instances of "charity" of enterprises and of an increase in monetary expenditures that by-pass the prevailing system.

Thus, at that same Monino Worsted Goods Combine, they used the resources of the social development fund for payments in the nature of social welfare. Among them, one can name additional payments to nonworking mothers for the care of children and payments to non-working poor pensioners who worked at the combine for 20 to 25 years. The social development fund was used for one-time material assistance amounting to two-thirds of the basic wage rate and salary for all workers being released.

By the way, the readers probably know of other examples of the unique "reclassification" of payments from various funds. And is this "game" not being played to inflate the base amount of the wage fund for its growth in the future? And if this is so, then who will gain in the final analysis if the money intended for housing, Pioneer camps or recreation bases is transformed into the monetary incomes of enterprise workers and is presented for purchases in the already devastated consumer market, continuing to devalue the ruble?

#### Behind the Shield of the Cooperative

The indices "N" and "D" and the "reclassification" of payments from funds have perhaps already become classical channels for the payment of unearned money. Economic practice provides new channels. Here are just some of the examples heard at the meeting as models of the contemporary "modern" practice of receiving essentially nonlabor rubles.

It is well known that according to Decree No 372 of the USSR Council of Ministers dated 4 May 1989, it is necessary to reduce the wage fund of the state enterprise in transforming its structural subdivision into a cooperative or in transferring part of planned work to the cooperative. But some smart people transfer the work to the cooperatives without reducing the wage fund for themselves. At the Oskolskiy Electrometallurgical Combine, for example, the lime shop was reorganized into a cooperative. They did not, however, reduce the base wage fund, thereby keeping 1.4 million rubles in it. You cannot by any means call them earned. The Mariupolskiy Metallurgical Combine obtained 1.5 million rubles in like manner.

Such tricks are just one of the "advantages" of the "marriage of convenience" of state enterprises and cooperatives. Another advantage is that such daughter cooperatives are frequently established merely to inflate the wages of the workers in the mother enterprises. There are many possible courses here, as was ascertained at the meeting, but they all lead to one thing: the payment of unearned money. It was no coincidence, as a check showed, that more than 80 percent of income at 65 established cooperatives at enterprises in the metallurgical industry went for the remuneration of labor.

#### From the Generosity of the Ministries

Yes, the examples of payments of unearned money by enterprises are truly marvelous and diverse. And it would seem that someone such as the oblast administrative staffs ought to put a stop to this. But no. Some of them added their own means of inflating the wage funds to those already known. It is hardly possible, for example, to adjust the planned targets for the first quarters of the year downward without the help of the ministries. And they do adjust them. As a result, at the Bratsk Aluminum Plant, they paid out significant sums—essentially unearned bonuses—for the fulfillment of less intense plans. In the course of the first 11 months of 1989, moreover, bonuses were regularly paid out to workers and employees but the overall production plan was not fulfilled.

And here is an example of the replenishment of the wage fund at enterprises and organizations through centralized funds of the ministries and departments. The Khimvolokno Poduction Association in Klin was allocated an additional wage fund of 700,000 rubles, which was enough not only to cover overpayments but there was even a saving of 172,600 rubles. This saving can go into the base fund in determining the fund due for 1990.

The production association Odessa Plant imeni Yanvarskogo Vostaniya of the USSR Ministry of Heavy Machine Building initially raised the base wage fund for 1989 by 400,000 rubles (or by 3.2 percent), including in it resources spent for the introduction of new conditions for the remuneration of labor from the economic incentive fund. And subsequently the ministry not only did not stop the infringement but also allocated an additional wage fund of 600,000 rubles. Therefore, in reducing the volume of standard net output by 5.1 percent in 1989, the association spent approximately an extra million rubles on the wage fund, or 8 percent of total expenditures. The association was also able to generate an unjustified saving of the wage fund of 600,000 rubles, which can be included in the base fund for 1990.

Such generous ministerial charity for the compensation of the overexpenditure of the wage fund cost the treasury 380 million rubles. The scope of such generosity is increasing from year to year.

The results of the past and current years indicate quite clearly that it is time to change the system for the utilization of ministry funds. It was proposed at the meeting, for example, to stipulate for this year that the reserves of the wage fund of the ministries must not exceed two percent of the funds accepted in the calculations in the five-year plan. It is expedient to allocate means from the departmental reserve for the remuneration of labor only if the increase in the volume of production exceeds the increase in wages. Clearly one ought to agree with such proposals.

In any case, the ministries as state administrative bodies must pursue state policy in the area of wages. And by no

means should they promote the payment of unearned money at subordinate enterprises.

### "Science" Is Ahead Here As Well

The scientific organizations of the country made a considerable contribution to the flow of unearned rubles. We already wrote last year that some scientific associates with a very unique understanding of the principles of cost accounting in science were actually able to put 100 salaries in their pockets annually.

What was said at the meeting is impressive. Thus, in the fuel and energetics complex in most of the investigated scientific organizations, the rate of increase in the average wage was significantly greater than that of labor productivity. The highest rate of increase of average wages in 1989 was in the establishments of the "VNIIOENG" [All-Union Research Institute for the Organization, Administration and Economy of the Oil and Gas Industry] (178.7 percent, or to 687 rubles a month) and "VNIIE" [All-Union Research Institute for Electroenergetics] (139.5 percent, or 300 rubles) and at the Middle-Volga Geological Exploratory Expedition (123.9 percent, or 331 rubles).

Excessive price increases are a tried source of the unjustified increase in the wage fund in science. Thus, at the central design bureau of the Energoremont Scientific Production Association of the USSR Ministry of Power and Electrification, the volume of scientific-technical output increased by 51.2 percent in 1989 and profit increased by a factor of 2.2. This made it possible to increase the economic incentive fund by a factor of 1.8 and payments from it by a factor of 3 over 1988, including an increase in the sum of compensation by a factor of 4.2 in 1989.

And here is an example from that same VNIOENG—the All-Union Research Institute for the Organization, Administration and Economy of the Oil and Gas Industry. The paradox is that precisely this institute was given the task of improving the economic mechanism of the branch.

The average wage per worker, as was said, reached 687.2 rubles at the institute. Contractual prices were raised systematically here. Under contract, for example, actual expenditures for the preparation of a methodology for the elaboration of long-term economic standards for the 13th Five-Year Plan were 88,500 rubles and the contractual price was 158,000 rubles.

The repeated receipt of payment for the circulation of scientific-technical output became a source of enrichment. Several times customers were sold previously completed developments. Work on the methodical management and fulfillment of variant calculations of the

economic efficiency of the establishment of joint enterprises, for example, was sold six times in contracts with different associations of the branch. The total of the contracts was 544,500 rubles, whereas expenditures were just 174,900 rubles. It is not surprising, therefore, that the remuneration of "labor" appeared to increase quite fabulously on a legal basis. Thus, in the first 10 months of 1989, director A. Tishchenko received 38 monthly salaries, the laboratory chiefs M. Sattarov and P. Sapozhnikov received 58 and 83 salaries, respectively, and the leading scientific associate and secretary of the party organization V. Blinkov received 39.

The colleagues at the State Research and Planning Institute of the Nitrogen Industry of the Agrokhim Association also profited from the raising of the estimated cost of developments. The profitability of scientific-technical output in 1989 was more than twice what it was in 1988 and in some work the increase was more than 150 percent. But the ministry (a state association after November 1989) freed the institute from payments to the budget for fixed capital and manpower resources. The deductions to the economic incentive fund increased by a factor of 7 over 1987. The share of the means of this fund in the average monthly wage of one worker is 45.3 percent, increasing from 223 rubles in 1987 to 596.6 rubles in 1990.

After our numerous articles, the planning institutes of USSR Gosstroy and of the Gosstroys of the union republics that went too far in increasing wages were given limits in the wage fund. Perhaps it is reasonable to utilize this practice more extensively? And is it really not time to stop raising prices excessively for scientific-technical output?

At the beginning of the meeting of the Presidium, N.I. Ryzhkov noted that the government's economic program supported by the Congress of People's Deputies of the USSR has already been in effect for two months. A special place in its realization belongs to 1990. And for its intensive targets to be fulfilled, it is necessary to stop the payment of unearned money. What additional decisions need to be made for this? None, it turned out. All that is needed is control, executive discipline and practical ethics. It is time for Gosbank, the Ministry of Finance and the State Committee for Statistics to get control over the situation and to make full use of the control functions granted them.

The meeting came to an end. The channels for the payment of unearned means were revealed. The efforts of ministries, departments and enterprises need to be aimed at closing them and establishing order in the remuneration of labor. At the meeting, it was decided to return to this question for the results of the work of the first quarter.

## LABOR

JPRS-UEA-90-024  
27 July 1990

**Data of the USSR State Committee for Statistics on the Social and Economic Development of the Union and Autonomous Republics, Autonomous Oblasts and Okrugs (average monthly wage of workers and employees in autonomous republics, autonomous oblasts and autonomous okrugs in rubles)**

	1980	1985	1988
RSFSR	177.7	201.4	235.2
-Bashkirskaya ASSR	162.3	183.1	216.6
-Buryatskaya ASSR	189.6	213.0	259.8
-Dagestanskaya ASSR	133.8	146.3	160.7
-Kabardino-Balkarskaya ASSR	153.7	169.4	191.6
-Kalmyskaya ASSR	158.4	179.3	210.3
-Karelskaya ASSR	201.2	227.9	267.6
-Komi ASSR	261.2	291.6	343.6
-Mariyskaya ASSR	148.0	172.2	197.2
-Mordovskaya ASSR	152.6	173.9	199.3
-Severo-Osetinskaya ASSR	156.3	170.6	189.5
-Tatarskaya ASSR	163.4	185.0	214.1
-Tuvinskaya ASSR	163.2	180.9	212.6
-Udmurtskaya ASSR	172.7	194.8	229.7
-Checheno-Ingushskaya ASSR	146.2	159.7	184.2
-Chuvashskaya ASSR	147.7	169.5	192.9
-Yakutskaya ASSR	329.4	374.3	428.3
-Adygeyskaya Autonomous Oblast	135.1	154.4	176.1
-Gorno-Altayskaya Autonomous Oblast	156.7	176.3	241.1
-Jewish Autonomous Oblast	200.6	223.3	272.4
-Karachayevo-Cherkesskaya Oblast	147.0	168.7	194.6
-Khakasskaya Autonomous Oblast	185.5	211.0	241.6
-Aгинский Buryatskij Autonomous Okrug	152.2	184.4	224.5
-Komi-Permyatskij Autonomous Okrug	147.9	166.6	197.3
-Koryakskij Autonomous Okrug	327.8	356.6	420.6
-Nentskij Autonomous Okrug	308.0	341.0	428.8
-Taymyrskij (Dolano-Nentskij) Autonomous Okrug	359.9	393.2	446.8
-Ust-Ordynskij Buryatskij Autonomous Okrug	167.4	191.1	226.5
-Khanty-Mansijskij Autonomous Okrug	379.2	411.7	489.7
-Chukotskij Autonomous Okrug	449.3	479.8	566.8
-Evenkijskij Autonomous Okrug	297.5	331.4	381.1
-Yamalo-Nenetskij Autonomous Okrug	398.9	459.7	555.2
Uzbek SSR	155.5	164.2	182.0
-Karakalpakskaya ASSR	160.0	159.0	188.4
Georgian SSR	145.2	167.6	186.9
-Abkhazskaya ASSR	131.9	161.5	169.0
-Adzharskaya ASSR	133.8	157.6	166.6
-Yugo-Osetinskaya Oblast	109.4	134.3	148.1
Azerbaijan SSR	148.4	162.6	171.0
-Nakhichevanskaya ASSR	123.8	172.9	149.6
-Nagorno-Karabahskaya Autonomous Oblast	131.5	149.8	135.0
Tajik SSR	145.5	157.8	177.1
-Gorno-Badakhshanskaya Autonomous Oblasts	132.9	144.1	156.1

**RSFSR Trade Union Congress Resolution  
Published**

904F0126A Moscow *TRUD* in Russian 4 Apr 90 p 1

[Resolution of the Founding Congress of RSFSR Trade Unions adopted 23 March 1990]

[Text] Expressing the will and aspiration of the republic's trade-union organizations for the consolidation and renewal of the trade-union movement, the founding congress of RSFSR Trade Unions proclaims the establishment of the Federation of Independent RSFSE Trade Unions.

United in the Federation on a voluntary basis, RSFSR independent trade unions must protect and represent the interests of trade-union members, become the basis for rallying all working people in the cause of implementation of radical reforms and socialist renewal of society, and come out for the strengthening of economic and political independence and rise in the social and spiritual standard of living of the republic's multiethnic nation.

Trade unions of the Russian Federation, being an integral part of the country's unified trade-union movement, come out for active cooperation and a close interaction with trade unions of all Union republics—both within the framework of the all-Union trade-union center and on a bilateral basis—and against separatism and ethnic limitedness.

The founding congress states that trade unions will build their relations with all social and political organizations and movements, including of the party, on the basis of equality and partnership and act as constructive opponents of management bodies at all levels.

The congress proclaims that man's labor relations and spiritual needs, irrespective of his political views, nationality, and religious convictions, will always be under the protection of the republic's trade unions.

The congress supports radical economic reform and the development of a multistructural nature of the economy on the basis of a diversity of forms of property.

For the first time an all-Russian trade-union body formed on new democratic principles, through direct delegation, will represent and uphold the interests of workers in multiethnic Russia as an equal partner of the government of the Russian Federation and of the republic's other social and political organizations and movements operating within the framework of the USSR and the RSFSR Constitution.

The congress expresses serious concern about the extremely unfavorable economic situation of Russia's workers, considerable distortions in the development of the republic's national economy in detriment to the production of consumer goods and food, significant financial losses, including currency losses, incurred by the RSFSR as a result of the nonequivalent exchange, and the existing critical ecological situation in many

regions. The neglected state of the economy's agrarian sector in a number of Russia's regions evokes special concern.

The congress expresses dissatisfaction with the course of economic reform and suggests that the RSFSR Council of Ministers prepare a concept of economic reform in the republic and submit it to the First Congress of RSFSR People's Deputies for discussion. The unbalance of money circulation and of the consumer market, shortage of the most necessary goods, increased acuteness of food and housing problems, raging of speculation and corruption, and high inflation rates increasingly hit ordinary workers and their families.

The congress decisively comes out against attempts by the USSR Government to shift material losses caused by mismanagement and errors in national economic management to workers' shoulders and speaks for the implementation of radical measures to improve the economy, which would be directed toward raising the well-being of people living on Russia's territory, for the republic's right to independently use its industrial potential and natural resources, and for the economic equality of all Union republics—the basis for strengthening cooperation and friendship among USSR people. The congress turns to the republic's government and to USSR people's deputies from trade unions, who represent Russia, with the demand to more decisively uphold the republic's rights in Union bodies of power and administration and to ensure the protection of its territory against the uncontrolled monopoly management of Union departments.

The congress makes it incumbent upon the Council of the Federation of Independent RSFSR Trade Unions to persistently strive in the RSFSR Supreme Soviet and in the republic's government for the implementation of fundamental measures for the solution of the food problem, elimination of the nonequivalent exchange between agriculture and industry, suppression of cases of an unfounded rise in prices of agricultural equipment, discontinuation of the construction of large industrial enterprises in regions with a large shortage of manpower, especially in the RSFSR nonchernozem zone, development of the material base of the APK, and rebirth and the most rapid social restructuring of rural areas.

The congress expresses concern for the insufficiently efficient actions of republic and local bodies of administration in the solution of the housing problem, which casts doubt on the realization of the Housing-2000 Program, and instructs the Council of Federation of Independent Trade Unions, jointly with the republic's government, to analyze the reasons for such a situation and to strive to rectify it.

The housing problem should be solved with the active participation of all labor collectives and the population and the use of their funds on the basis of equal development of diverse forms of housing property. A socially guaranteed minimum should be ensured for every

family. At the same time, the interests of badly-off strata of the population, as well as of such weakly protected categories as servicemen and their family members, young people, orphaned children, disabled persons, and pensioners, should not be infringed upon.

RSFSR trade unions will see to it that their interrelations with state and economic bodies at all levels be built on the basis of agreements and collective contracts determining the solution of socioeconomic problems and procedures for resolving arising conflicts and differences of opinion. The congress instructs the Council of the Federation of Independent RSFSR Trade Unions to work out, with due regard for the opinions and suggestions of the Federation's member organizations, an agreement with the government, which would envisage the observance of the principle of social justice in labor remuneration and in price formation; granting of privileges and advantages, especially in regions of the Far North and in localities of Siberia and the Far East equated with it; legislative consolidation of the growth of wages, pensions, grants, and allowances depending on the inflation level; shortening of the work week to 40 hours; development of an overall program for improving women's working and living conditions and increasing the length of their paid child care leaves to 3 years; efficient employment of the population and retraining of workers in connection with the introduction of the market mechanism, conversion of military production, and reduction of the Armed Forces; removal of limitations in the payment of pensions to working pensioners, and so forth. Problems of the population's employment in regions and sectors of the republic's national economy with a labor surplus require special attention on the part of trade unions. Russia's trade unions will demand from the republic's government the prompt development and unconditional implementation of state programs for a fundamental improvement in the production environment and the ecological situation in the republic, especially in the basins of Lake Baykal and the Volga River.

Trade unions of the Russian Federation should maximally expand the democratic foundations of social insurance and of the right of labor collectives in the use of its funds. They should demand from state bodies a fundamental improvement in the public health system in the country on principles of free and generally accessible quality medical help for workers, the development and adoption of the RSFSR Law on Health and Health Protection, the most rapid solution of the acute problem of the population's provision with drugs, and the elimination of the consequences of the accident at the Chernobyl AES.

The congress believes that all the Federation's member organizations should take a clear and precise stand in the rapidly changing social and political situation, profoundly and promptly analyze the content of work of new independent formations, especially in labor collectives, and enter into an active dialogue with all public movements, whose activity does not contradict the

USSR Constitution and lies in the sphere of protection of workers' social and economic interests.

It is necessary to give a rebuff with arguments and to dissociate oneself from all possible extremist movements and associations, which under the guise of workers' "protectors" advocate nationalism, anti-Sovietism, and regional isolation, provoke tension in labor collectives, bring about splits among them, and call upon them to strike illegally, using them as a means of political pressure.

The negative processes in the spiritual and moral sphere of the republic's life, erosion of the foundations of national culture and moral values, decline in the authority of honest labor, and increase in crime, drunkenness, and drug addiction evoke great concern among trade unions. All this is aggravated by the expanding commercialization of culture, including physical culture, and cutback in financing for workers' clubs, libraries, museums, sports installations, other cultural and educational institutions, and places of theatrical entertainment. RSFSR trade unions should persistently fight against such phenomena, be constantly concerned about workers' spiritual interests and physical development, and demand an increase in allocations for these purposes from the republic's government.

The congress appeals to all trade-union organizations to create conditions for an active and direct participation of young people in the trade-union movement and for an equal representation of working youth and students in trade-union bodies at all levels. The further improvement in the system of public education and creation of conditions for bringing up children and strengthening the family require special concern on the part of trade unions. It is necessary to ensure the development and implementation of effective youth policy. Students and their trade-union organizations demand the legal, social, and financial support of Russia's trade unions.

The social and occupational direction of activity of trade unions should be strengthened. Proceeding from this, the congress comes out in favor of the establishment in the RSFSR of independent trade unions and various groupings and trade-union associations based on common occupational interests of individual groups of workers, the right of primary organizations to solve the problem of affiliation with sectorial unions on their own, and formation of regional inter-union bodies according to the principle of direct representation from sectorial trade-union organizations.

The congress calls upon all organizations of USSR trade unions operating on the republic's territory, regional inter-Union associations of trade-union organizations of autonomous republics, krays, and oblasts, associations, and workers' other occupational formations to unite on a voluntary basis in the Federation of Independent RSFSR Trade Unions, which constructs its work on principles of federalism and democracy, solidarity, respect for the

independence and interests of its collective members, and noninterference in their internal affairs.

The creation of conditions for the maximum possible strengthening of primary trade-union organizations, giving them help in the realization of their rights, and further expansion of their independence are the most important tasks of the Council of the Federation of Trade Unions.

The congress instructs the Council of the Federation of Independent RSFSR Trade Unions to work out a draft of the RSFSR Law on the Rights of Trade Unions and to submit it to the RSFSR Supreme Soviet for consideration in 1990.

The congress notes that the development of the trade-union movement in the RSFSR and winning trade-union authority and workers' confidence require an efficient information system and instructs the Federation's

Council to ensure the publication of a central Russian trade-union newspaper, organization of trade-union radio and television channels, outfitting of the trade-union center with modern information and polygraphic equipment, and assistance to trade-union organizations forming part of the Federation in the creation of their own printed publications.

The congress appeals to all workers, to all members of RSFSR trade unions, and to all trade-union associations of workers to strengthen unity and solidarity in the fight for the rights and interests of working people, rights of trade unions, social restructuring of the people's life, increase in production efficiency, strengthening of discipline and organization, the most rapid elimination of social tension, which has reached dangerous proportions in the country, and strengthening of friendship among the republic's and the country's nations.

## TRANSPORTATION

JPRS-UEA-90-024  
27 July 1990

## CIVIL AVIATION

## New 'Skorost' Association Builds Yak-42M Planes

904H0227A Moscow *IZVESTIYA* in Russian 8 May 90  
Morning Edition p 2

[V. Belikov Report: "The 'Skorost' Association Is Building the Yak-42M"]

[Text] The new "Skorost" Association of aircraft builders and aviators will be developing, manufacturing, and operating the Yak-42M short-range mainline airliner.

The 120-seat Yak-42, which made its appearance on the airways in the early 1980's, was to become one of the most extensively used aircraft in our country. The aircraft is on a par with similar foreign types which are being turned out for routes of up to 2,000 kilometers.

## V. Dmitriyev, deputy chief designer:

"We have accumulated a great deal of experience in operating the Yak-42 for eight years, which we have been using in developing its successor, which is essentially a new aircraft. The Yak-42M has three improved D-436M turbofan engines, the gross thrust of which is three tons more than the preceding modification. Together with the higher cruising speed, this has made it possible to increase the cabin capacity up to 150 passengers. At the same time, the specific consumption of scarce fuel—a basic indicator of economy in aviation these days—has been reduced by one-third, reaching the level corresponding to indicators for the best foreign aircraft."

The Yak-42M's range with a full load has been increased to 2,500 kilometers. The new wing configuration ensures good aerodynamics, although the fuselage has been extended a little over four meters, which has made it possible to arrange seats in the cabin with more space between the rows. The advanced digital flight control and navigation complex enables the crew of two to fly the aircraft en route and make a safe landing under adverse weather conditions.

## A. Levinskikh, chief designer of the OKB [Experimental Design Bureau] imeni Yakovlev:

"The present capacities of the Saratov Aircraft Plant, which is turning out the Yak-42 literally piece by piece, are clearly insufficient to provide the needed quantities of aircraft for Aeroflot and export deliveries. The aircraft builders already owe a debt of 180 aircraft that have not been manufactured."

Our design collective has been faced with the problem of finding a way out of the situation that has taken shape. We suggested nontraditional solutions, making use of the new opportunities for conducting economic activity, to our business partners. The OKB imeni Yakovlev, the Saratov and Smolensk Aircraft Plants, an engine design bureau, and the Zaporozhye "Motorostroitel" Association, as well as two Ministry of Civil Aviation repair

plants, have combined into the "Skorost" Association, which is to turn out a specific number of modernized Yak-42M airliners by the year 2000.

Under the contract with our customer—the Ministry of Civil Aviation—400 million rubles are being allocated mainly to expand and renovate the Saratov plant and the Zaporozhye "Motorostroitel" facility, which should begin turning out the airliners in 1995. According to our calculations, the multibillion-ruble program to manufacture the Yak-42M should pay for itself and begin yielding a profit in the year 2003.

## Super Long-Range Airline Proposed

904H0227B Moscow *VETERAN* in Russian No 17,  
23-29 Apr 90 p 16

[Article by E. Baron, aeronautical engineer and war and labor veteran: "Fly in ASDA [Super Long-Range Airline] Aircraft!"]

[Text] Aeroflot is unsparing in advertising its activity, and garish appeals are posted prominently here and there in cities: "Fly in Aeroflot aircraft!" Is there really any chance to make use of the services of another airline?

Yes, soon our air passengers, who have not become spoiled by the all-powerful monopoly, obviously, will have this opportunity: the Super Long-Range Airline—ASDA—which is being established is independent from Aeroflot.

It has long been necessary to have new competitive organizations in the air services field. The unmet demand for air transportation increases every year.

The idea of operating foreign aircraft on our air routes emerged long ago. Back in 1974 and 1975, negotiations were held with representatives of the Boeing corporation to obtain their aircraft. However, although these negotiations began well, they were essentially broken off by the Soviet side. B. Bugayev, the minister of civil aviation at that time, and P. Dementyev, the minister of the aviation industry, the heads of the departments that monopolized air transportation, opposed an agreement with the Americans.

A working group headed by Colonel General of Aviation Yu. Mamsurov has now been formed. The plan for a new domestic airline, to begin regular flights in the second half of 1991, has been reviewed by a commission of the USSR Supreme Soviet. It received unanimous approval from the legislators, although at the suggestion of Ministry of Civil Aviation employees, it was recommended that experts in the USSR Gosplan, together with all other departments concerned, study the materials submitted by the initiative group.

It is not known how long this will take. No one questions the need to coordinate the project with the Bank for Foreign Economic Activity and the USSR Ministry of Foreign Economic Relations, but it is not clear why the

Ministry of Civil Aviation needs to check the materials which were prepared with the participation of its own specialists.

Be that as it may, the work is proceeding. The Americans have given their consent to train cockpit and technical personnel in the United States.

It is planned to organize regular service with Boeing 747 aircraft from the country's central regions to Central Asia and the Far East, as well as nonstop flights to South America and Australia. For the first time in the history of aviation, there will be passenger flights to the United States and Canada over the North Pole.

Fly ASDA!

#### Flight Crew Association President Interviewed

904H0227C Moscow RABOCHAYA TRIBUNA in Russian 10 Jun 90 p 3

[Interview with A. Malinovskiy, president of the Civil Aviation Cockpit Personnel Association, by RABOCHAYA TRIBUNA correspondent V. Yurlov: "A Trade Union Federation: An Obstacle or a Bridge?"]

[Text] Heated discussions on the role and place of trade unions in perestroika are shifting more and more frequently to the plane of practical actions. The establishment of the Civil Aviation Cockpit Personnel Association is a conspicuous step in this direction. Our correspondent V. Yurlov talks with its first president, A. Malinovskiy.

[Yurlov] Nowadays many people are rushing to change the old signs for new ones, and then they assert authoritatively: perestroika has taken place in our department. Hasn't something similar happened with the establishment of your association as well?

[Malinovskiy] Let us look at the nature of the Aviation Workers Trade Union which has existed thus far. It includes not only pilots, but representatives of all the services engaged in the complex work of aviation. It includes laundry women, doctors, and office cleaners. In a word, persons of a dozen vocations. This is not a professional organization. But if our union is not actually professional, it is not clear whose interests it should protect. I will add to this that all the existing structures essentially were created without any real participation by the "lower strata."

[Yurlov] Well, all right, your association was established "from below." And what has been changed?

[Malinovskiy] A great deal. While we were somewhere on the side in our Aviation Workers Trade Union, the association becomes a structural unit of full value today. Essentially, we have succeeded in assuming all the functions of a trade union, a real and militant one.

[Yurlov] You say "militant," but whom is there to fight? It seems that pilots live better than other people in our country.

[Malinovskiy] That is a fundamental fallacy. Those times are long gone. Our cockpit personnel receive an average of 300 rubles per month. It is even less in small aircraft. At the same time, it is no secret to anyone that a bus driver, for example, earns 450 to 500 rubles per month. I am not urging that the money in other people's pockets be counted. Especially as many persons are calling both chauffeurs and pilots "drivers" today. But there is a difference between them. I would remind you that the state spends millions of rubles on the training of a sky "driver" first class and entrusts very complicated equipment and people's lives to him. Cockpit personnel are considered a national treasure throughout the world. And they are paid for their work appropriately. A millionaire pilot is not someone invented by bourgeois propaganda.

Now let us approach the matter from another side. Our pilots are pensioned in the prime of their lives—at 35 or 40. Only one percent are flying at age 55 or older. And their longevity is not high—about 50 years.

And as far as providing for apartments, sanatoriums, and other social benefits, the pilots are in last place here.

[Yurlov] Excuse me, Alfred Avgustovich, for interrupting you. Your claims are not original. This is what is argued by miners, seamen, journalists, and railroad workers. Each one is convinced that those in his own vocation have been infringed upon more than the others.

[Malinovskiy] I am talking about something else, you know. Don't forget that there are hundreds of lives in our hands every day. But the perverted command system has changed the work so that safety and passenger comfort are not determining factors in the pilot's work, but the ton-kilometers which no one needs and the hours accrued. Even wages are made directly dependent on hours accrued. So our aces are winding up 100 hours or more per month. To the detriment of health, I will point out, and even flight safety. It is ridiculous! This is what we intend to fight against. No outsiders will do this for us.

Incidentally, social matters such as wages, housing, and relaxation have not been put on the agenda at international conferences for a long time. For one reason: they have been resolved. The main emphasis is on flight safety and improvement in professional skill. But the Aviation Workers Trade Union is not in a position to separate what is important from what is of minor significance.

[Yurlov] How do you see the work of your association in this connection?

[Malinovskiy] When it was established we proceeded from the assumption that there should be an organization in the civil aviation system which would really fight for pilots' rights. For example, to take part in investigating flight accidents. Events have taken shape in such a way that all the blame is usually shifted to the pilots. The statistics confirm this.

## TRANSPORTATION

JPRS-UEA-90-024  
27 July 1990

We proceeded from the assumption that we need an organization which can understand the pilot and is able to put itself in his shoes. You realize that even if someone on the outside is interested in helping us, he will not succeed in doing this. We need professional representation. The thought occurred that our trade union should consist of associations of the basic and leading professions. This is correct for all sectors, incidentally.

We should look at it this way: a pilots' association, a controllers' association, a flight attendants' association, an association for engineers and technicians, and an association uniting workers in the transport department. We have all become opponents today in the Aviation Workers Trade Union. The rules which exist in the struggle for the distribution of vouchers to kindergartens and nursery schools and to pioneers camps and sanatoriums have made us this way. In short, each one of us is trying to pull the blanket over himself. Alas, it is not sufficient for all of us.

[Yurlov] So now you are one large blanket which is insufficient for all of you and you want to cut it into a number of small ones. But as you know, changing the places of the components...

[Malinovskiy] As you know, each sector deducts a certain sum for social insurance: from 4.5 to 14 percent of the wages. It is 14 percent for civil aviation, as an example. Why such injustice, taking into account our lack of protection in the social sphere? We believe that the association has the right to control the distribution of this money. We will also lengthen the blankets with it.

[Yurlov] But how does your idea correlate with other vocations?

[Malinovskiy] Excellently. Lately I have been approached by fishermen, atomic power plant workers, drivers from Kirghizia, doctors, and even servicemen. They all approved of our idea and considered it acceptable for themselves.

Here is the conclusion I have drawn. We need to give the trade unions their original meaning. And take all the powers into our own hands. The right of legislative initiative given to the trade union, first of all. This idea has reached the AUCCTU. They appear to be prepared for an experiment.

[Yurlov] Your are suggesting that Soviet trade unions be created all over again, isn't that so? But only in accordance with your model?

[Malinovskiy] I would not say to create them all over again, but to reshape and restructure them. You are aware that free trade unions are now functioning in our country. In my view, they are doomed. They have two vulnerable points. They were naked when they came out of the old trade union, figuratively speaking. Everything that had been accumulated remained with the former owner, the AUCCTU [All-Union Central Council of

Trade Unions]. And a second point. Free trade unions are again being established on the basis of territory. But this means that they are repeating the same path followed by their predecessors. In time they will become bureaucrats, and everything will take place in the old way.

[Yurlov] But what will become of the sectorial central committees? You are suggesting that they be abolished.

[Malinovskiy] No. I think that they will remain for the present. Only in a new capacity. And not with such a cumbersome bureaucracy. In my view, a small board, a type of council of association presidents, without a chairman, is sufficient. That is, a small group of people who represent all the main vocations in the sector. There will be no fights here. On the contrary, with parity and sovereignty there will be different relationships. And the federative principle, not the notorious principle of the majority, will be followed.

You cannot do without committees. The institution of territorial trade unions—republic, oblast, and so forth—is another matter. What are these offices? Whom do they represent? They are spongers, taking one-quarter of the trade union dues for their own subsistence. I am deeply convinced that they should be abolished.

## New Sochi Airport Under Construction

904H0187A Moscow SOVETSKAYA ROSSIYA in  
Russian 10 Apr 90 First Edition p 1

[Report by Yu. Stepanov: "The Trapezoid On the Sea"]

[Text] Alongside the old Sochi air terminal which now exists, the Yugoslav firm STsT is erecting a new complex which will become one of the largest not only in our country, but Europe as well.

"The area set aside for construction is located on the site of the former village of Moldovka," states Vladimir Mikhaylovich Yermolayev, chief engineer of "Aeroprojekt" [State Planning and Surveying and Scientific Research Institute]. "It is a comparatively narrow strip of land with the apron which now exists on one side and the mountains and the highway on the other side. The building will be shaped like a trapezoid, and facilities will cover a total area of 60,000 square meters. This is 10 times larger than the resort city's current airport. Ten aircraft will be boarded and deplaned at one time with the aid of special telescoping ramps."

There will be four basic sectors in the building. Two of them are intended for the passengers on domestic air routes and one will be for international passengers. All the world's airlines will be able to fly to the Sochi airport. One more sector is for general services: restaurants, snack bars, bars, a post office, telephones, a barber shop, a theater, repair shops, and a room for mothers with children.

Passenger flows will be separated on two levels in the new complex: the first story is intended for arrivals and the second level is for departures, where passengers will be taken via transport ramp bybuses and taxis from the city. There will be a large landscaped courtyard in the terminal equipped with booths, comfortable benches, and decorative pools. All this will establish a distinctive natural link with the nature of the southern city.

The most up-to-date materials are being used to finish the facades and interiors: special tinted glass, aluminum stained-glass windows, a ceiling of light metal structures, and a floor of polished granite.

For the first time in this country, all production processes for serving the passengers, baggage handling, and administration of airport services will be automated. These operations will be performed with computer hardware, which will greatly simplify the technological processes, improve the reliability of their implementation, and reduce the time to prepare for a flight.

In creating comfortable conditions for the passengers, the designers have seen to it that the air terminal personnel work under good conditions. There are domestic accommodations with a shower and bath in immediate proximity to their work positions. All official accommodations, as well those for passengers, are being equipped with air conditioning systems. Solar batteries are to be mounted on the terminal roof to heat the water.

The new airport for the familiar resort city will accommodate its first passengers at the beginning of 1992. It will be serving two million more vacationers than it now does.

#### Experimental New-Generation Supersonic Engine Examined

904H0187B Moscow *IZVESTIYA* in Russian  
26 Mar 90 Morning Edition p 1

[Comments on new aircraft engine by Academician G. Svirshchev, TsAGI [Central Aerohydrodynamics Institute imeni N. Ye. Zhukovskiy]; P. Kadzharduzov, TsIAM [Central Aircraft Engine Institute]; and A. Akseenov, deputy minister of civil aviation, as reported by V. Belikov: "Around the World in 10 Hours"]

[Text] The composite gas turbine-ramjet engine developed by the Central Aircraft Engine Institute (TsIAM) has become the main sensation coming from the "Aviadvigatelstroyeniye-90" exhibition held at the VDNKh SSSR [Exhibition of Achievements of the National Economy of the USSR].

The gas turbine gave birth to all of today's jet aircraft. Until now, engines have been built in accordance with the traditional "compressor-combustion chamber-turbine" arrangement for both a dragonfly helicopter and the 600-ton "Mriya" with cargo. Supersonic speeds also have become routine because of the extremely

valuable qualities of gas turbine power plants—tremendous power, small dimensions, and light weight.

[Svirshchev] We expect that by the year 2000, air transport volume throughout the world on the longest routes—up to 10,000 kilometers or more—will be approximately tripled. Scientists and designers are thinking about how to reduce the flight time on the routes that will be global. At scientific centers, design bureaus, and the headquarters of the largest airlines, interest has once again been revived in the development and operation of supersonic passenger aircraft.

These should be new-generation aircraft—more economical and considerably cleaner ecologically than their predecessors of the 1970's—our Tu-144 and the Anglo-French "Concorde." Research conducted recently at the TsAGI enable us to provide some of the most important features of such a second-generation supersonic aircraft. Its widely spread wing forms a complex surface of two integrated triangles, which makes it possible to utilize a "tailless" configuration. It will have a takeoff weight of 250 tons and carry 300 passengers. It will have a nonstop range of 8,000 kilometers. The power plant will consist of four engines which operate on conventional aviation fuel.

[Kadzharduzov] In the opinion of authoritative specialists, advanced technologies, combined with available experience in building military and civil supersonic aircraft, make it possible for us to surmount the problems of developing such a second-generation airliner. The power plant for it will be more complicated; as a minimum, it should be 20 percent more economical than the one used on the "Concorde" and it should meet very strict requirements with respect to noise on takeoffs and landings, as well as in cruising flight.

These requirements are met by a variable-cycle [DITs] gas turbine-ramjet engine which has been built and bench-tested at our institute. It has now been shown at the first domestic exhibition of aircraft engines.

It is designed for operation in a speed range from zero with a normal start on the ground to speeds of 2.5 to 3 "sounds" [presumably: Mach 2.5 to 3] in the first stage of flight. This corresponds to the speeds reached by modern interceptor-fighters equipped with widely distributed turbojet engines.

Under these flight conditions, a ramjet engine, which does not need a compressor for supercharging the air in the combustion chamber, can demonstrate all its advantages—excess pressure is generated by the velocity head. The aircraft picks up even more speed and "leaves" 4.5 "sounds"; this is also helped by an altitude unusual for passenger aircraft—25 kilometers from the ground.

The secret of the high efficiency of our experimental engine is that it is like one person with two faces, which eliminates the need to carry the inoperative part of the unit as dead weight. It remains to be said that the engine operated for 10 hours during the tests, which

## TRANSPORTATION

JPRS-UEA-90-024  
27 July 1990

corresponds to the time for one circumnavigation of the globe in an actual second-generation supersonic airliner.

[Aksenov] The program for development of the country's air transport which has been worked out by the sector's specialists for the long term provides the opportunity for Aeroflot to use new-generation supersonic passenger aircraft on the threshold of the 21st century. This period of time also corresponds to the general world assessments of the time for them to make their appearance on the air routes.

### Kazakh Aviation Enterprise Created

904H0187C Moscow TRUD in Russian 12 Apr 90 p 1

[Interview with Vladimir Kuropatenko, president of the "Sayakhat" Aviation Enterprise, by TRUD correspondent N. Tashev: "A Competitor for Aeroflot"]

[Text] Alma-Ata—A state-cooperative aviation enterprise has been established in the Kazakh SSR.

"Sayakhat" will make its first flights in aircraft leased from Aeroflot. But it has already resolved the problem of acquiring its own aircraft. At first the "Sayakhat" fleet will consist of four Tu-154M's, two An-26's, one Il-76, and two Mi-8 helicopters. The state is granting a loan for this.

Vladimir Kuropatenko, the deputy commander for political affairs of Alma-Ata Airport, was elected president of the "Sayakhat" firm.

"We consider 'Sayakhat' to be the first step toward the establishment of 'Kazakhstan,' the republic's independent airline," V. Kuropatenko said yesterday in a conversation with the TRUD correspondent. "April will be the time for our first takeoff. We have important plans for the future. We intend to develop a major international transport aviation center for the transfer of commercial cargoes from countries in Southeast Asia and the Pacific region to Europe. We are thinking of providing service for foreign tourists on flights over routes of the 'Great Silk Road.' A large sports complex is under construction now in the mountains near Alma-Ata, and we will be extending a helicopter route there for passengers..."

"Sayakhat" has begun selecting specialists. The requirements are very high for all of them—from pilots to stewardesses. For example, they must speak a minimum of three languages perfectly—Kazakh, Russian, and English. The cost of tickets at "Sayakhat" will be somewhat higher than Aeroflot's prices. But after all, this firm promises significantly better service in different cabin classes than on Aeroflot's domestic routes.

Preliminary estimates show that "Sayakhat" will make a profit of over 15 million rubles annually. Half will go to the state budget, and the rest will go to develop the new business resulting from the considerable interest in Kazakhstan.

### M-17 Aircraft Breaks Three World Records

904H0187D Moscow RABOCHAYA TRIBUNA in Russian 7 Apr 90 p 4

[Report by RABOCHAYA TRIBUNA special correspondent A. Fedorov: "Only Space Is Higher"]

[Text] Moscow Oblast—Three world records have been set with the unique M-17 "Stratosfera" aircraft.

"After taking off from a suburban Moscow airport in the high-altitude M-17 'Stratosfera' aircraft, Senior Test Pilot Vladimir Arkhipenko of the Experimental Machine Building Plant imeni V. M. Myasishchev climbed to 21,880 meters, breaking the world records for altitude and horizontal flight for aircraft with a single turbojet engine in the 16- to 20-ton category..."

At first it was hard to believe that this light "bird" could get so high. The aircraft looked like the delicate glider which little boys build. The only thing that relates it to its brothers—the "VM-T Atlant" giants, which can carry the fuel tanks for the "Energiya" rocket and even the "Buran," is the fact that it was also built at one of the country's oldest aircraft "firms," the Plant imeni Myasishchev.

The aircraft, which was developed over many years, proved to be unique in its flight performance and aerodynamic efficiency. Its wing span is nearly three times the length of its 15-meter fuselage. The aircraft builders' idea was to determine the aircraft's gliding performance, that is, the distance it can travel in free flight if it is released at an altitude of 1 kilometer. So the M-17 traveled a distance of 25 to 30 kilometers, approaching the best performance by sport gliders.

That record flight lasted exactly 1 hour. Pilot Vladimir Arkhipenko required 25 minutes to climb to an altitude where only space is higher.

"I am certain that aircraft of the future will fly at a speed of 1,000 kilometers per hour," says Vladimir Vasilyevich. "But at the same time, high-altitude subsonic aircraft also can do a great deal. Do you see this emblem?" He showed me the bright blue globe with the inscription "SOS" on the M-17's fuselage. "We are already cooperating with the Center for Creating a Global Ozone Reserve, and together with the International Fund for the Survival and Development of Mankind, the cochairman of which is Metropolitan Pitirim, we are conducting an ozone survey over the territory of Moscow. A record is a record, but the most important thing is that the 'Stratosfera' aircraft is already rendering practical assistance to the national economy."

And indeed, the superhigh-altitude aircraft can successfully "shoot" hail clouds which threaten a crop at any altitude, conduct aerial photography, and observe icing conditions. It is able to conduct geological prospecting, provide earthquake warnings, and monitor the condition of the environment. Such flights are much more efficient than expensive space launches.

And one more piece of news—early next week aviators will try to break new records, this time for load-carrying capacity.

#### When This Issue Was Being Composed

They telephoned us from the plant's flight test base and informed us: the world speed record was just broken. After climbing to an altitude of more than 20 kilometers, the M-17 flew over a closed triangular course at a speed of 588 kilometers per hour. All the materials and documentary confirmations have been sent for registration by the FAI [Federation Aeronautique Internationale].

### RAIL SYSTEMS

#### January-April Rail Performance Noted

904H0198A Moscow GUDOK in Russian 5 May 90 p 1

[Unattributed article: "Although a Profit is Expected"]

[Text] Rail transport operated under a great strain during January-April. The general decrease in production in a number of the national economy's branches explains this to a great extent. The aggravated political situation in Azerbaijan and Armenia also played a role. This led to a slowdown in the railcar flow on the railroads adjacent to the Transcaucasian Railroad. The performance plan for the first four months was fulfilled by 99.2 percent, including the state order by 99 percent. The plan was overfulfilled for five of the 14 cargoes in the state order products list, including the following that were transported above the plan: grain and regrinding products—5.4 million tons; coke—342,000 tons; animal feed—128,000 tons; paper—148,000 tons; and ferrous metal—285,000 tons. The overall shortfall in the state order freight plan reached 8.4 million tons; of these, more than half were in April.

The quota was fulfilled for 17 of the 28 local planning cargoes. More than 23 million tons were dispatched above the plan, including more than 19 million tons of construction freight. The remainder fell to sugar beets, sugar, potatoes, vegetables, meat, butter, and fish. The underloading reached 4.9 million tons, primarily in imported goods—approximately four million tons.

A total of 14 of the 32 railroads coped with the performance plan. Among them were the Belorussian, where more than two million tons were transported above the plan; the Krasnoyarsk, where 1.7 million tons were transported; the North Caucasus, Central Asian and Moscow, where more than a million tons each were transported; the Transcaucasian, where 715,000 tons were transported; the West Siberian, where 557,000 tons were transported; and the Southwestern, where 400,000 tons were transported. The West Kazakhstan, Central Asian and Krasnoyarsk achieved an increase in shipments in comparison with the same period of last year. At the same time, the October, Baltic, Lvov, Southern, Dnepr, and Southeastern moved from the ranks of those

fulfilling the plan during the first quarter to the ranks of those lagging behind because of a reduction in work tempos during April.

The Azerbaijan permitted the greatest shortfall in the plan—four million tons; the Kuybychev and Kemerovo—2.3 million tons each; the Sverdlovsk—2.2 million tons; and the Tselina and Far Eastern—1.8 million tons.

The state order for passenger traffic was fulfilled by 100.8 percent but the calculated quota for freight traffic was underfulfilled by 3.6 percent. In comparison with the corresponding period of last year, the efficiency in using rolling stock worsened somewhat during the four months. Naturally, this had an effect on the overall work results and economic indicators.

The quota for the labor productivity of workers employed in shipping was exceeded by 1.1 percent. However, last year's 4.7 percent indicator was not reached. Shipping costs were increased for the plan by 2.5 percent. A receipt of approximately 120 million rubles over and above the plan is expected.

**Based on material from the Ministry of Railways Statistics Administration.**

#### Railways Engineering Center Created

904H0198B Moscow GUDOK in Russian 8 April 90 p 2

[Unattributed article: "An Official Department: An Engineering Center Is Created"]

[Text] The Splav engineering center has been established in Rostov-na-Donu for the widespread introduction of advanced technologies to reconstruct and strengthen transport equipment friction items and assemblies using the induction metallurgical method (IMS) for the needs of rail transport. It is on an independent balance, has the rights of a legal personage and the ability to open accounts in the appropriate institutions and banks.

The performance of research and development work has been placed on it.

The center's activity is being conducted on the basis of complete cost accounting and self-financing. The Ministry of Railways Material and Technical Supply Main Administration coordinates its work and its material and technical supplying with special types of equipment and materials in accordance with a limited products list.

#### New Cable Communications Lines Installed

904H0198C GUDOK in Russian 17 April 90 p 2

[Article by V. Grechanin, GUDOK correspondent: "New Communications Lines"]

[Text] Kuybyshev—The Kuybyshev-Syzran communications cable line has been put into operation on the Kuybyshev. It has replaced the old aerial one. With its

inclusion on the complete circuit design, the railroad has another 240 channels at its disposal. Such lines are now being planned on the Kuybyshev-Abdulino and Penza-Pachelma sections.

The replacement of aerial communications with a cable one helps to improve the quality of operational control over traffic and shipments and makes them more economical and safer. Moreover, it provides an opportunity to introduce computer equipment on a broader basis and to improve passenger services.

A. Verbovik, the chief of services, has said: "Nevertheless, the tempos of this work are not responsive to the railroad's growing requirements. A critical shortage of telephone cable is interfering. Requisitions are barely being fulfilled by 20 percent. The trouble is that enterprises in the Transcaucasus are producing a large part of the equipment and components and the situation is now complicated there."

It is necessary to note that the improving of communications is not limited to production needs alone. During last year, for example, telephones were installed in the apartments of 211 engineers and train restoration workers.

#### 1989 Passenger Service Performance Evaluated 904H0174A Moscow GUDOK in Russian 1 Apr 90 p 2

Interview with Vera Ivanovna Kristeva, chief of the Passenger Main Administration's economic and shipping conditions department, by A. Loginov; date and place not given]

[Text]

[Loginov] Suburban passenger transportation is unprofitable. Whereas this did not particularly trouble railroad workers before, it has become necessary to think about it seriously with the shift of the branches to cost accounting and self-financing.

A third of the network's suburban transport volume falls to the lot of the Moscow railroad, and the losses from it (31.3 million rubles) have reached 11.5 percent of the total. On the October, which has a twofold less transport volume than the capital's mainline, this percentage is approximately three and a half.

What is the matter? Where do such discrepancies come from? From the table, it is evident that they lie in the cost exceeding the remuneration rates (the actual fees for a trip) calculated per ten passenger-kilometers. Whereas this difference is 0.474 kopeks on the October, it is 0.779 on the Moscow. On several railroads in other regions of the country, shipping costs exceed actual incomes from them twofold-fivefold and more!

Numerous "whys?" again arise. I have asked V. Kristeva, the chief of the Ministry of Railways Passenger Main Administration's economic and shipping conditions department to answer them.

[Kristeva] Let us begin with the fact that our tariffs for suburban passenger transport (there are several of them: zone—for once-only trips, preferential season tickets, and so-called day-off tickets) are the same for all the country's rayons, regardless of the operating conditions and the type of traction and rolling stock. This predetermines the substantial difference in expenditures for supporting this transport. On some mainlines, electric locomotives are primarily used on suburban lines of communications; and on others—diesel trains which are more than twofold more expensive to operate.

Let us now turn to the trip fees where the greatest discrepancies are born. A once-only ticket for a 10-kilometer trip costs a passenger approximately eight kopeks. The preferential season rate, which has been established for season tickets, is only 1.26 kopeks for the same number of kilometers when the cost is around seven kopeks. On average on the network, 60 percent of the passengers use season tickets. That is why all the railroads are suffering appreciable losses in income, with the exception of the West Kazakhstan where transport on suburban lines is insignificant. Is this not a paradox: the more we carry the greater the losses?

[Loginov] Vera Ivanovna, in one article, I cited an example of how a season ticket equals three-four round-trip one-time tickets. Let us compare: no other type of urban transport has such benefits, where the cost of a trip between once-only and monthly season tickets is so great. How much would the branch's losses be reduced if the cost of a season ticket was raised, let us say, twofold?

[Kristeva] At their present low price (the tariff has not been changed for more than half a century!) and with the increased cost of rolling stock, material, fuel, and electricity—not by much. Season tickets now cost us 330 million rubles in losses a year (almost a million a day!), and only 58 million are covered by the profit from the sale of one-time tickets. Increasing the presently existing preferential season rate twofold will only add 78 million. This means that losses will be reduced to 200 million in this case. It is difficult to count on bringing this into accordance with cost (a season ticket is repaid by 15-18 percent). You know how the population accepts any price increase....

[Loginov] That means that today we must compensate for suburban transport losses from the high profit obtained from long distance trips. How do our foreign colleagues act in a similar situation?

[Kristeva] In different ways. Each country has its own procedures and conditions; even the scale of transport is not the same as ours. Even with the high level of motor vehicle use there, a train trip is nevertheless more expensive than here. There are no preferential season tickets similar to ours. Nevertheless, suburban transport is also unprofitable in a number of countries (although to a lesser degree) and enjoys subsidies from municipal organs of power.

[Loginov] Will we also not come to this or a similar financing principle with the introduction of regional cost accounting?

[Kristeva] We should. But I am still afraid that it will turn out otherwise. Having acquired the right to receive deductions from enterprises and organizations located on their territories, local soviets are demanding the same from railroads also.

[Loginov] Naturally. However, they will also have to think about improving suburban transport. You see, this is a service area for the local population. However, what will the railroad workers on that same Bratsk Division be able to do if approximately a million rubles of the 8.5 million in suburban transport losses on the East Siberian Railroad falls to their lot? There, suburban electric trains basically service the workers in the aluminum combine and woodworking complex. Probably, they would be able to pay up to the real transportation cost for their workers and employees from their funds that are far richer than those of the railroad workers.

[Kristeva] They could but they would hardly agree voluntarily. Let us assume that they will "display conscientiousness" somewhere. However, suburban or—as they are often called—worker trains "bring" losses

everywhere. Local councils will not immediately grow rich enough to subsidize the transport costs. One way or another, however, I think we have to have an intense study of this problem by the local soviets—rayon, oblast and republic. You see, the people living there primarily need improved suburban transport. They have a different prosperity level and you will not manage without reduced price tickets. However, even these privileges, like any other ones, should have a specific address and appropriate sources of financing. Yet, we are still traveling in the old rut: "You have brought yourself a loss, well bring it...."

I am convinced that only with the help of the local soviets and the enterprises and organizations located on their territory, can one coordinate efforts and assets and provide railroad workers a solution to organizational and technical problems.

[Loginov] That is, rephrasing the well known saying: Do not expect manna from the Ministry of Railways?

[Kristeva] Yes, neither the Ministry of Railways nor the USSR Council of Ministers solve regional problems better than local soviets themselves, in which rail transport representatives are undoubtedly included. Together with them, one must search for a way out of this financial dead-end.

Losses of the Railroads From Transporting Passengers on Suburban Lines During 1989

Railroads	Transport Volume in Millions of Passenger-Kilometers	Remuneration Fee Per 10 Passenger-Kilometers, kopeks	Cost Per 10 Passenger-Kilometers, kopeks	Loss in Thousands of Rubles
<b>European part of the network</b>				
October	19,946	4.139	4.613	-9,454
Baltic	5,894	4.322	8.798	-26,384
Belorussian	5,684	6.038	7.394	-7,704
Moscow	40,319	4.231	5.008	-31,323
Gorkiy	5,126	5.884	7.838	-10,012
Northern	1,644	7.271	8.550	-2,101
Southwestern	6,285	5.189	5.794	-3,802
Lvov	2,891	4.396	12.788	-24,261
Moldavian	563	5.614	12.106	-3,657
Odessa	1,473	4.662	9.058	-6,472
Southern	3,694	4.657	9.447	-17,693
Dnepr	2,740	5.282	7.974	-7,373
Donets	1,674	4.541	15.152	-17,761
North Caucasus	2,642	6.080	9.093	-7,963
Azerbaijan	177	3.627	32.092	-5,038
Transcaucasian	643	5.925	15.297	-6,023
Southeastern	1,999	4.405	9.950	-11,083
Volga	939	4.330	9.200	-4,574
Kuibyshev	2,835	6.165	7.779	-4,577

## TRANSPORTATION

JPRS-UEA-90-024

27 July 1990

## Losses of the Railroads From Transporting Passengers on Suburban Lines During 1989 (Continued)

Railroads	Transport Volume in Millions of Passenger-Kilometers	Remuneration Fee Per 10 Passenger-Kilometers, kopeks	Cost Per 10 Passenger-Kilometers, kopeks	Loss in Thousands of Rubles
<b>Eastern Part of the Network</b>				
West Kazakhstan	4	7.158	5.222	+5
Tselina	460	9.986	11.964	-910
Alma-Ata	78	5.768	7.915	-167
Central Asian	477	4.361	11.811	-3,555
Sverdlovsk	4,026	6.084	8.101	-8,122
South Urals	2,119	5.829	8.458	5,570
West Siberian	3,196	5.054	6.247	-3,814
Kemerovo	1,250	4.484	9.044	-5,702
Krasnoyarsk	1,247	4.644	8.929	-5,344
East Siberian	1,234	5.831	12.730	-8,512
Transbaykal	700	7.305	10.591	-2,303
Far Eastern	1,686	4.908	11.366	-10,889
Baykal-Amur	88	1.539	72.555	-6,250
For the network:	123,733	4.791	6.991	-272,198

**Rail Minister Interviewed on Housing, Social Programs**

904H0163A Moscow ELEKTRICHESKAYA I TEPLOVOZNAYA TYAGA in Russian No 3, Mar 90 pp 2-4

[Interview with L.I. Pingarev, deputy minister of Railways, by B.N. Zimting, special correspondent of ELEKTRICHESKAYA I TEPLOVOZNAYA TYAGA: "The Task Is Difficult, but Fulfillable"]

[Text] The country has entered the fifth, concluding year of the 12th Five-Year Plan. Four years ago, in the new Program of the Communist Party of the Soviet Union it was emphasized that the CPSU regards as a law, for the activity of all State and economic organs and public organizations, unremitting concern for solving the social problems of work, everyday life and culture, and satisfaction of the people's interests and needs.

The USSR Ministry of Railways and the Central Committee of the sectorial trade union, realizing the importance of the task, have worked out a long-term program of development for the sector's social sphere. L.I. Pingarev, deputy minister of Railways, and B.N. Zimting, our special correspondent, chat about the way in which it is being fulfilled and the problems standing in the path of the most rapid solution to the urgent problems.

[Zimting] A few years ago, an interview and speech on social problems by a ministry director would have abounded in figures for the plans and diffuse promises. Time has passed, however, but the situation has hardly changed for the better. That is why today the editors of ELEKTRICHESKAYA I TEPLOVOZNAYA TYAGA daily receive letters from locomotive workers complaining

about the solutions, which have dragged out for many long years, to problems of providing them with housing, their children—with preschool institutions and schools, the shortage of spaces in the polyclinics and hospitals, the poor quality of service at public catering enterprises and many other things, which we call, in brief—the social sphere.

Let us try, Leonid Ivanovich, to answer the numerous questions of our readers in the spirit of the times, in the spirit of glasnost, without concealing the difficulties. I think that the people will perceive the truth, even the most impartial truth, better than honeyed but unfulfilled promises.

[Pingarev] I fully agree with you—today one must speak with the people frankly and honestly. The brilliant and memorable speeches of the people's deputies at the congresses and sessions of the USSR Supreme Soviet are an example of this.

In reality, to our great regret, over 12 percent of the railroad workers need improved housing conditions. This number is unchanged from year to year. There are many reasons for this. One of them is the change of generations taking place in transport. Veterans are going on pension, and their places are being taken by young people, who justifiably demand that normal everyday conditions be created for them. Another reason is the insufficient allotment of funds, on the part of the central planning authorities, for housing construction and fulfillment of other social programs.

For example, not long ago USSR Gosplan again cut off our appropriations for these purposes, giving as the reason for this the fact that the railroad workers have, allegedly, a large amount of housing on the railroad's

balance sheet. At the same time, they completely fail to consider the fact that most of it consists of old wooden houses of the barracks type, sometimes built as far back as the last century. In addition, people often live in these houses who have nothing to do with transport. Therefore, because of the very limited funds, at the boundary of the 12th Five-Year Plan only half as much housing has been constructed as on the whole for the country.

The ministry is striving to put the existing situation right. In conjunction with the Central Committee of the trade union, a program was worked out, in accordance with which, by the year 2000 all transport workers should be provided with housing, medical and preschool institutions and sports-health complexes. In the 12th Five-Year Plan it is planned to construct 220,000 well-appointed apartments for railroad workers. The serious nature of the approach to solving this problem is indicated by the fact that over 10 percent of the funds were switched over for these purposes from projects for production purposes.

[Zimting] How is the fulfillment of this program going?

[Pingarev] In the four years of the five-year plan, over 170,000 apartments have already been constructed. In 1989 it was planned to put into operation throughout the sector, through all financing sources, a total of 2,229,000 square meters of available apartment houses. According to preliminary data, 275,000 square meters of above-plan housing were constructed, which made it possible on the whole to overfulfill the yearly plan for housing construction.

The collectives of the Far Eastern, Tselina, Alma-Ata, West Kazakhstan, South Urals, Belorussian, East Siberian and several other roads are maintaining a good rate in carrying out the program outlined for housing construction. Here, under the conditions of cost accounting and self-financing, housing construction problems are being solved with initiative and creativity, and ways are being found to increase its volumes and systematically overfulfill the planned assignments.

At the same time, some roads and divisions still underestimate the importance of solving social problems, are displaying irresponsibility and are continuing to disrupt the fulfillment of plans for housing construction and social projects. Housing is being constructed extremely poorly on the Volga Road, where in the four years of the current five-year plan the railroad workers were short 27,000 square meters of planned housing, as well as on the Sverdlovsk, Azerbaijan, Transcaucasus and a number of other roads.

The Ministry of Transport Construction, being the basic executor of work to develop railroad transport, is being extremely slow to update, at their plants, the output of structures for large-panel house-building. For this reason, the design and correlation of apartment houses is being held back on the Kuybyshev, Gorkiy, Northern, Moscow and other roads.

The subdivisions of the Ministry of Transport Construction are taking absolutely no part in the construction of cooperative apartment houses on the road network. In the

four years of the five-year plan they have not built a single square meter of ZhSK [housing construction cooperative] apartment houses for the railroad workers, even though the lack of contracting capacities is one of the main reasons for the delay in the development of housing-cooperative construction in the sector.

At the same time, there has been no radical turning point in the attitude toward cooperative construction even on the railroads. The yearly plan for ZhSK was only 75.9 percent fulfilled. The Southeastern, Volga, Alma-Ata, Krasnoyarsk and East Siberian roads disrupted the introduction of cooperative houses. The October, Baltic, Belorussian, Azerbaijan, Transcaucasus and Sverdlovsk roads engaged in virtually no cooperative construction. The volumes of individual housing construction are also extremely low in the transport organizations and subdivisions.

Last year a step forward was made in developing housing construction by the economic method. The work collectives put about 500,000 square meters of housing into operation with their own forces. Over one-third of the total introduction of available housing was built by the economic method on the South Urals, and a great deal on the Tselina, Alma-Ata and a number of other roads. Only on the Azerbaijan road was not one single square meter of housing built by the economic method.

[Zimting] It goes without saying that the housing problem affects the precise and accident-free work of the locomotive brigades. A person who has no possibility of resting normally at home may commit violations of varying severity on the trip....

[Pingarev] Absolutely true. Even here, though, alas, there is so far nothing to make the locomotive workers happy. The number of those in line for improved living conditions at the locomotive depots today is 86,000 persons, or about 17 percent of the workers in the service. At large enterprises, such as the depots of Georgiu-Dezh, Lvov-Zapad, Nizhnedneprovsk-Uzel, Baladzhary, Alma-Ata and others, those in line constitute up to 25 percent. Many young engineers and assistants do not have the basic conditions for rest before trips, since they live in dormitories or in private apartments.

There are positive examples, however. They are shown by the directors of the depots of Kurgan, Grebenka, Kandalaksha and of the Daugavpils Locomotive Repair Plant, where one or several apartment houses are erected each year. On the whole for the network, however, the situation remains very tense.

[Zimting] As far as I know, the situation is no easier with respect to the construction of facilities for national education and child care centers. Many women in railroad occupations are forced to stay at home, since there is a chronic lack of children's nurseries and kindergartens, and the older children are forced to study at schools in over-crowded classes, in two and sometimes even three shifts.

[Pingarev] Yes, and this is despite the fact that the construction of these facilities has a tendency to increase. The program of fully satisfying the need for child care centers and schools is lagging behind, however.

## TRANSPORTATION

Every year, when making up the plan for capital construction, a great deal of friction arises with the Ministry of Transport Construction, the trusts of which stubbornly refuse to take on the load of these objects. Those that they include in the plan are not erected in the specified periods. For example, in 1988, the transport construction workers disrupted putting into operation schools in Mineralnyye Vody and kindergartens at stations at Vekovka on the Gorkiy, Yerevan on the Transcaucasian and Ukladochnyy on the West Siberian road.

The funds for underway projects from 1988 were greatly underutilized. It was 34.5 percent for schools and 50 percent for child care centers. Of 30 underway projects for child care centers, at half the work has not yet begun, which led to disruption of putting them into operation last year.

In 1989 the Ministry of Transport Construction trusts failed to include in their work load a school for 1176 places at the Turkestan station on the Alma-Ata, and kindergartens at the stations of Kotelnich on the Gorkiy, Slobodka on the Odessa, Blagodarnoye on the North Caucasus, Astrakhan and Kachalino on the Volga and Uzbekistan on the Central Asian. All this occurs despite the resolution of the directive organs to give priority, when organizing comprehensive title sheets, to introducing facilities for social-everyday purposes.

Our ministry has drawn up a special program to satisfy the need of railroad workers' children for child care centers. The railroads should build kindergartens for 67,500 places before the end of 1990.

By the beginning of last year, according to precise data, the need was 52,500 places. At the selector conference, the road chiefs assured the ministry that they would revise their plans toward an increase. In reality, however, the directors of the Northern, Central Asian, Volga, Baltic, West Kazakhstan, Sverdlovsk and several other roads failed to include in the plans the construction of a number of child care centers. I think that the railroad workers will not forgive this sort of attitude toward their needs.

[Zimting] As we know, no less critical a situation has formed in the public health sector. What can you say about this?

[Pingarev] Strengthening and developing the material-technical base for railroad public health is one of the most acute social problems. Today we are short 15,000 hospital beds and polyclinics for 94,000 visits a shift. Considering the fact that over 20 percent of the hospitals are accommodated in wooden, poorly fitted-out buildings and facilities, to bring them up to sanitation norms we would have to construct new buildings for 37,000 hospital beds and polyclinics for 155,000 visits a shift before the year 2000.

The Moscow Road alone is short 4200 hospital beds and out-patient polyclinics for 9000 visits a shift. On the

October, it is respectively 2100 and 4700, the Sverdlovsk—1700 and 7400, the Southeastern—1300 and 6500, and the West Siberian—1100 and 5700. The Transbaykal, Tselina, West Kazakhstan, Kuybyshev, North Caucasus, Lvov and Northern roads are also badly in need of medical institutions.

The situation with respect to strengthening the material-technical public health base is complicated by the fact that over 10 million rubles are underutilized yearly for construction installation work on these facilities. Because of this, the construction periods are increasing considerably and work on newly begun projects is being delayed.

The yearly plan for construction-installation work to build hospitals and polyclinics was 71.6 percent fulfilled last year, including 64.2 percent by enterprises of the Ministry of Transport. The greatest underfulfillment was permitted on the South Urals, Central Asian, Alma-Ata, Transcaucasus, East Siberian, Southern, North Caucasus, Southeastern and Tselina roads.

The organizations of the Ministry of Transport Construction have permitted lagging behind in the construction of medical institutions at the stations at Tbilisi, Tambov, Mirgorod, Irkutsk-Sortirovochnyy and Tselinograd. The construction of a 330-bed hospital in Krasnodar has been in progress since 1980, and for just as long, construction workers have not been able to erect a hospital complex at the station of Staratel on the Sverdlovsk Road. The state of affairs with construction of medical institutions at the Rossosh, Nyandoma, Berdyauish, Buzuluk and Sharya stations is a cause for alarm.

Even with such a critical situation with the shortage of hospitals and polyclinics to serve railroad workers and members of their families, a number of directors of railroads and divisions are not taking substantial measures to improve the planning and increase the construction volumes of medical institutions. For example, after completing construction of a hospital in Kishinev, nothing more was built on the Moldavian Road, even though there is a great need for medical institutions at the Reni and Ugeny stations. This is the second year that the Lvov Road has built nothing, but the five-year plan specified erecting polyclinics at Lvov, Chernovtsy and Strye. The October Road disrupted construction of a polyclinic at Novgorod, and has dragged out the planning of a hospital at Bologoye.

Practical experience shows that the development of objects for the social sphere depends on activity and, if you wish, the desire of the top directors of the roads, divisions and enterprises of the sector. Planning work is in full swing in Moscow right now for construction, at each of the four central clinical hospitals, of high-capacity wings of 10-16 stories for 400-600 beds each. Construction has begun of a central 300-bed clinical hospital for children, with a consulting polyclinic, and a 700-bed road hospital is being remodeled in Lyublino.

Last year construction was begun on a nine-story surgical wing, and planning of a new road polyclinic for 1200 visits a shift. These facilities will be erected in 1991-1992. A surgical wing in Tula and polyclinics at the Losinoostrovskaya, Aleksandrov, Fayansovaya and Rosplav stations should now be opened. This activity in developing the material-technical public health base on the Moscow Road stems from the fact that I.L. Paristy, its chief, is attentively following the course of the planning and construction of these projects.

V.A. Yelsukov, former chief of the Leningrad Subway, must be given his due. He supervised the construction of a new seven-story wing for the 320-bed railroad hospital and the largest subway polyclinic in Leningrad. They were turned over for operation, respectively, in 1988 and 1989.

[Zimting] The organization of public catering is given a special role at production enterprises. Judging by the editors' mail, not everything is in order in this matter at a number of locomotive depots. The engineers, assistants and repair shop workers are expressing their dissatisfaction with the quality of the food preparation, the unsanitary conditions in the food units, or in general with the absence of dining halls at their enterprises.

[Pingarev] We know about the problems in organizing public catering at transport enterprises, including the locomotive depots. The main one is the inadequate provision with a network of dining halls. On a number of roads—the West Siberian, West Kazakhstan, Northern and Kuybyshev—it is not over 70-80 percent of the established norm.

At some road divisions and enterprises this indicator is even lower.

The dining halls at the depots—Morshansk of the Kuybyshev, Iletsk and Emba of the West Kazakhstan, Sivaya Maska of the Northern, Skovorodino, Borzya, Morocha, Zavitaya and Urusha of the Transbaykal and the Vyazma of the Moscow—do not meet the sanitation requirements. They are all extremely small, and are unsatisfactorily maintained. At many dining halls and snack bars there are no subsidiary farms and shops, the ventilation is not working, and the hot water supply is often disrupted.

Under the new conditions of economic activity, many directors of depots and road divisions readdress their workers' claims to the directors of the GlavURS [Worker Supply Main Administration], forgetting that the main administration has no money for construction. The divisions and roads have all the money today. Their directors should be assiduous, thoughtful bosses, with an attentive attitude toward the needs of their subordinates. The directors of the locomotive main administration must be more insistent about the construction of dining halls and buffets in the locomotive depots and brigade rest houses.

[Zimting] Since we have already turned to the topic of catering for the people, we must not neglect the organization of rural subsidiary farms, especially since at the July Plenum of the CPSU Central Committee in 1988, the problem of foodstuffs was formulated as a fundamental problem of social-political importance.

[Pingarev] I will add to this, that the USSR Council of Ministers, on 10 August 1988, adopted a decree "On Measures to Increase Production and Improve the Supply of the Population with Foodstuffs in 1988-1990." The ministries and departments were set the task of adopting additional measures to organize rural subsidiary farms for enterprises and organizations, increasing their efficiency and ensuring, in 1990, the production, calculated per worker, of meat, up to 10, and milk—up to 15 kilograms, and in 1995, respectively, 30 and 50 kilograms.

The task is not an easy one, if you take into consideration the fact that in 1988 the subsidiary farms of railroad transport on the average realized only 4.2 kilograms of meat and 4.7 kilograms of milk per worker. The task is difficult, but feasible and fulfillable, if you consider that in that same year 1988 a number of enterprises realized 50-70 and even 100 kilograms of meat per worker. These are primarily the Seyma Station on the Gorkiy, where 200 kilograms each were received, the Rostov forest protection stand track section—97, the Millerovo track section—71, the locomotive depot of Yesil, of the Tselina—63, and the Kizil-Arvatskiy Car Repair Plant—89 kilograms.

At the same time, most of the railroad transport enterprises do not have their own subsidiary farms. In justification, their directors cite a number of reasons: a shortage of farm lands, lack of agricultural equipment, difficulties in purchasing young cattle for fattening.... Yes, there are difficulties. But success is achieved by the one who engages in this difficult, but extremely necessary matter.

There are government decisions that economically weak kolkhozes, sovkhozes or their divisions can be turned over to the balance sheet of industrial enterprises and converted into subsidiary farms or given out for leasing. These examples also exist in railroad transport. So why can the directors of other transport enterprises not also take advantage of this opportunity? After listening to 18 directors of roads and divisions, I came to the conclusion that they have no objective reasons preventing them from setting up subsidiary farms.

The very varied productivity of the subsidiary farms already existing also puts one on the alert. It is highest where people are working in accordance with a brigade, leasing or family procedure. At present, 124 collectives with a total number of over 1000 persons are working on the brigade procedure in our agricultural shops, on the family procedure—35 families made up of 236 persons. The work experience of these collectives must be developed and disseminated everywhere.

[Zimting] In our conversation today, Leonid Ivanovich, we, as agreed, have paid special attention to the shortcomings and unsolved problems of the sector's social sphere. Therefore, it will be logical to conclude the conversation with specific proposals to eradicate these shortcomings. What can work collectives of enterprises do in this direction today, under the new conditions of economic activity, and what role will the directors of divisions and railroads play?

[Pingarev] On the basis of the actual circumstances, the main volumes of housing construction will obviously have to be performed by their own efforts. The road construction trusts now put into operation about 900,000 square meters of housing a year. In order to ensure fulfillment of the assignments established for the 13th Five-Year Plan, the present volumes should be increased by a factor of 1.5, as a minimum, and constitute about 1.5 million square meters a year. To solve this problem, the load of the road trusts with respect to production construction should above all be reoriented toward the construction of housing and social facilities.

Housing construction by the economic method must be developed. Right now the transport enterprises are putting into operation over 400,000 square meters of housing a year, or 21 percent of the total volume. The locomotive workers, track workers and car workers are erecting the largest number of apartments for their workers.

We have about 6000 main enterprises on the road network. If each of them constructed even one or two apartments yearly, it is not difficult to estimate the over-plan housing that could be obtained.

One of the specific forms of realizing the housing program is the creation of youth housing complexes (MZhK). Last year, 32,000 square meters of housing were constructed by this method. MZhK was particularly active on the Transbaykal, Kemerovo and West Siberian roads.

The directors of the roads, divisions and enterprises must support to the utmost the initiative of the young people in setting up MZhK, in order to act not only in each division, but also at each major railroad junction. This will make it possible to accelerate the solution to the housing problem for young families.

The sector is working for the second year under the new conditions of economic activity, in which virtually complete independence is given to directing the economy and solving social problems. Unfortunately, some directors of line enterprises, divisions and roads, instead of seeking ways to increase revenues, reduce operating expenses, accumulate profits, and solve social problems more completely, have taken the incorrect path of cadging, on behalf of the work collectives, additional wage funds, capital investments and material resources from the ministry.

This practice is completely unacceptable today. Social problems must be solved at the sites through the profit obtained from improving the operations of all the transport subdivisions. Incidentally, all these problems and tasks were mentioned at the All-Union Conference of Railroad Workers, held in December 1989. Many of the problems posed were settled in a resolution adopted there.

[Zimting] Thank you for the interesting chat.

COPYRIGHT: "Elektricheskaya i teplovodnaya tyaga", 1990

## MARITIME AND RIVER FLEETS

### Maritime Fleet Officials Interviewed on Scientific Achievements

904H0252A Moscow VODNYY TRANSPORT in Russian 14 Apr 90 p 3

[Interview with I. Orlov, chief of the Scientific-Technical Administration of the USSR Ministry of the Maritime Fleet, P. Pyankin, chief of the Main Scientific-Technical Administration of the RSFSR Ministry of the River Fleet, F. Arakelov, director of Soyuzmorniiprojekt, and S. Pyanykh, director of the Central Scientific-Research Institute of the Economics and Operation of Water Transport, by VODNYY TRANSPORT correspondent: "Progress Without Embellishment"]

[Text] We are using tomorrow's calendar date [Soviet Science Day] as an excuse to speak once again about the state of our sectorial science. Our correspondent appealed to directors of the main administrations of the sector's headquarters and the directors of institutes and asked them to answer the questions: of the things that have been done recently, what has been a source of satisfaction for them and what has not succeeded, and how do they view the future of sectorial science?

[I. Orlov] I am glad of the fact that the control of scientific-technical progress in maritime transport is keeping pace with the development of the economic mechanism and economic reform, and is even to some extent managing to anticipate events.

I am deeply depressed by the lack of State assignment of priority to science and progress in the national economy and the residual approach to financing research and introducing advanced innovations. This is a major mistake. It is sufficient to look at the progressive countries to be convinced of this.

As for the future, I am confident that maritime transport will retain its leading position in the national economy. The scientific advance and the projects in progress on the sea will create high growth rates of scientific-technical progress. The sector has the potential for this.

[P. Pyankin] Over 50 percent of the total volume of river transport today is carried out in accordance with

advanced technology. In the last few years, the fleet has obtained over 150 new ships, in no way inferior on the technical level to the best foreign models. The development of technical designs for cargo motorships for river and sea sailing with a higher class of seaworthiness, capable of visiting the ports of the west coast of England, Spain, Portugal and France, has been completed. With the building of the first ships in 1992, access to over 100 additional world ports will be opened up for Russia's fleet.

The sector's scientists, designers and production workers have developed, in brief periods, technical devices to protect basins from pollution by ship wastes, which, with respect to the quality of the purification, exceed domestic and foreign analogs. A complex with block-modular construction, to purify household sewage, designed for settlements and enterprises of river workers, has been developed, successfully tested and accepted interdepartmentally. Its series production was begun this year.

A heat-recovery electrothermogenerator was developed and passed laboratory tests. The level of this development is indicated by the fact that a number of Western European countries have expressed interest in it. All of this cannot help but be good news.

Sectorial science, however, is still faced with many unsolved problems. These are the development of new technology directed toward improving the use of the fleet; further automation of ships, related to reducing the labor-intensiveness of their operation and technical service; improving the organization and technology of shipbuilding and ship repair.

This list could be continued. There are also, however, problems of a different type in organizing scientific research. Right now, for example, because of the transition to cost accounting, the scientific subdivisions are economically interested in small orders, solving the specific, instant problems of individual enterprises. There is a drop in the relative proportion of research directed toward solving the major problems of the general sectorial plan and requiring large expenditures of time and concentration of the efforts of major scientists, but "not resulting in" volume and, consequently, profit.

This situation is fraught with a loss of perspective and dropping behind the world level of development, not only for science itself, but also, which is particularly alarming, for the country's river transport.

There has been no success in reducing the research-introduction cycle.

In the future, the basic subject matter in scientific research should take its proper place and be financed as a priority, and moreover, research that determines the directions of scientific-technical progress should be carried out continuously.

There are about 80 doctors and over 800 candidates of sciences working in the sector, and it is obviously expedient to make the transition to competitive selection of the executors of basic research.

[F. Arakelov] A source of satisfaction is the contribution to solving the problems involved in the sector's transition to the new conditions of economic activity—development of normative documents for converting enterprises to cost accounting, recommendations to improve the administrative structure, substantiation for the sector's transition to currency self-financing, working out new rates, setting up joint ventures and their legal support, and other things. A number of interesting studies have been made on the perspective for the sector's development.

After intensive perestroyka in the institute in the structuring of the directing personnel in 1989, the institute, by introducing cost-accounting contracting relations, for the first time achieved the optimal work volume and could make the transition to self-financing.

Unfortunately, the institute's role as the lead in problems of information science and ASU was not fully affirmed. We are not satisfied with the rates of introducing computer equipment in the production, auxiliary and management divisions of the institute, although the first steps have been taken toward computerization.

I will speak of the future of sectorial science as applied to our institute. Soyuzmorniiprojekt is now working out comprehensive target programs for 1991-1995. There are five of them, and they have been approved by the scientific-technical council of the Ministry of the Maritime Fleet. They touch upon problems of port development, intensification, social development, management and information science and the development of ties with foreign countries.

As for the design direction, for the institute in Moscow, one of the main points should be specializing in export design through direct relations with the purchaser. To survive under the conditions of the stiff competition on the world market, we must learn that our design developments should be done with higher quality, more quickly and more cheaply and conform to the requirements of world standards in the sphere of world port construction. For this purpose, two specialized foreign consultation firms have now begun work in the institute within a cooperative framework. They should issue recommendations on restructuring the work of the institute's design division and outline ways to make the transition to the rails of an independent, competitive design firm.

[S. Pyanykh] The institute has carried out a group of studies on the sector's economic reform. This has made it possible, under the new conditions of economic activity, for the shipping companies to reinforce their financial position and improve the economic indicators. Let us say, in the 11th Five-Year Plan, not for a single

## TRANSPORTATION

JPRS-UEA-90-024  
27 July 1990

year was the profit indicator fulfilled, and now, the sector obtains 40 billion rubles of above-plan profit every year.

Another source of satisfaction comes from the results of research on the comprehensive development of river transport, approved by the sector's council, on the development of transport in the Far North, and from the approaches, new in principle, to the Rechflot ASU, based on the Dispatcher ASU and personal computers.

We have not yet succeeded in raising the authority of science in production. The scientific collectives today are not greatly drawn by the interesting ideas of the people. Under the conditions of cost accounting, mercenary interests gain the upper hand among a number of associates.

Our task is to achieve a level of research at which the sector will feel a natural need for scientific service. Any strategic decision should be preceded by scientific research. We must set up scientific schools, closely connected with fundamental science and the use of its theoretical achievements on the one hand, and on the other—successfully carrying out theoretical ideas, through the planning and design developments in specific machine and technological processes.

**Special Boats Planned for Internal Affairs Ministry**

*904H0247A Moscow VODNYY TRANSPORT in Russian 27 Mar 90 p 3*

[Interview with Yuriy Nikolayevich Silantyev, deputy chief of the All-Union Scientific Research Institute of Special Equipment of the USSR Ministry of Internal Affairs, by R. Borzenkov, VODNYY TRANSPORT string correspondent: "A Motor Launch for the Police"]

[Text] Not long ago, an interview with Yu. Silantyev would have been unthinkable. Now, with the coming of glasnost, this is no longer a problem. Yuriy Nikolayevich Silantyev, deputy chief of the All-Union Scientific Research Institute of Special Equipment of the USSR MVD [Ministry of Internal Affairs], willingly agreed to answer our correspondent's questions.

[Borzenkov] Police equipment is often defined as truncheons, handcuffs and pistols.... Here, though, is an entire institute. Just what are you developing in particular?

[Silantyev] In a word—crime detection and operations equipment. It has long been generally known that all evidence is assigned to a board of technical experts. Crime detection devices make it possible to extract conclusive information: to take finger prints, remove microparticles, make quick analyses of materials—the entire technical side of this matter is within our competence.

As for equipment for operations work, in my opinion, it should not become "public knowledge," lest the effectiveness of its action be reduced.

We are also paying a great deal of attention to devices for individual protection.

[Borzenkov] Do you mean bullet-proof vests?

[Silantyev] Those too. Bullet-proof vests, incidentally, are our development, and even the output is partially ours.

[Borzenkov] Do you have your own production base?

[Silantyev] As I say, in general the MVD does not have its own plants. The necessary equipment is partially produced in corrective-labor colonies, but its level is extremely low. Our orders are mainly filled by the sectorial ministries.

[Borzenkov] Are you engaged in developing special transport?

[Silantyev] Let us first determine, just what is this special transport? It should probably be machines with qualitatively improved parameters. From this standpoint, the country so far has none of the transport that the police need. We use the same chassis that industry produces for everyone. We convert the finished product, reequip it, etc. You cannot call this "development." I am convinced that from the point of design, it is precisely special equipment that must be made: a boosted-up engine, high-speed and powerful, a reinforced undercarriage, great stability for the vehicle, a considerable degree of protection for the vitally important units of the machine.... All this is unfortunately in the realm of daydreams.

We do what we can, of course. We determine, in particular, the specifications to which the floating craft—class "R" (river) and "O" (lake)—should conform.

I should like to note here that our institute is not large enough to be able to carry out its developments right up to launching the finished model. In most cases we act as the contracting institute, represents the inventors, and take part in the tests.

Specifically, for the launches, we are working with a design bureau in Gorkiy. There is also a firm in Leningrad with which we cooperate.

A technical conference was recently held at which we examined, along with specialists from Gorkiy, preliminary studies of new models of launches for the MVD. If the money can be found, the launches will appear.

[Borzenkov] Just how long, let us speak frankly, will this unhappy situation go on?

[Silantyev] It is hard to say. The 2d Congress adopted a resolution to improve the technical equipment of the MVD. But will the State be able to find the necessary

funds? For example, the development of the rotary-piston engine for special machines alone "draws in" 50 million rubles! And really, small helicopters and surface-effect craft are also needed....

[Borzenkov] Do you already have your own developments?

[Silantyev] There are even enterprises ready to take on their finalizing and output. After all, though, with self-financing and cost accounting, no one will work free of charge. The State has economized on us for a very long time, and how many billions it will put out—we still do not know.

The shortage of technical devices is one side of the story. The other is the low level of technical competence of the police workers, especially in the provinces.

We often forget that even what we have does not yield a return. Many are literally bewitched by the potentials of "foreign countries," and have a very prejudiced attitude toward domestic instruments.

Just recently a seminar of investigators was held, at which our institute arranged an exhibition of our developments. Many of them, incidentally, surpass the foreign analogs. I particularly observed: not a single person went up to the innovations. After all, there are investigators who do not even know how to take a photograph!

[Borzenkov] Are you also studying instruments for customs service?

[Silantyev] Our "interest" in common with the customs is to detect objects in concealing media. These are "soft" and "hard" X-rays.

[Borzenkov] Are there any instruments to detect narcotics?

[Silantyev] Right now there is no reliable instrument for distance searching for narcotics anywhere in the world. Dogs, or even pigs, are used for these purposes. Even though there are gas chromatographs and chromo-mass-spectrometers, these instruments are very expensive and less efficient than dogs.

22161

187

NTIS  
ATTN: PROCESS 103  
5285 PORT ROYAL RD  
SPRINGFIELD, VA

22161

This is a U.S. Government publication. It is not to be cited as a primary source, but may be cited as a secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Soviet Union, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.